DOCUMENT RESUME

ED 321 630 HE 023 592

TITLE	SUNY Management Flexibility Program. Program Audit.
INSTITUTION	New York State Legislative Commission on Expenditure Review, Albany.
PUB DATE	Dec 89
NOTE	58p.
PUB TYPE	Reports - Evaluative/Feasibility (142)
EDRS PRICE	MF01/PC03 Plus Postage.
DESCRIPTORS	Budgeting; Decision Making; Educational Change; *Expenditures; Graduate Study; Higher Education; Institutional Administration; *Institutional Autonomy; *Operating Expenses; Personnel Management; Purchasing; *State Legislation; State Universities
IDENTIFIERS	*State University of New York

ABSTRACT

This audit assesses implementation of the University Operating Flexibility Act by the State University of New York (SUNY). The legislation was designed to give SUNY more autonomy to make daily operating decisions, in order that SUNY could better compete with other major higher education institutions nationwide. The legislation empowered SUNY to implement most budget transfer, personnel, and purchasing decisions without outside approval. The audit examines SUNY's use of its additional powers. The implementation of the Graduate Education and Research Initiative (GRI) designed to improve the quality of SUNY graduate programs is also reviewed. The assessment involved interviews with SUNY Central staff, review of pertinent documents, and field work at 10 SUNY campuses. The audit found that SUNY Central and the 10 sample campuses used budgetary flexibility effectively to meet short-term fiscal and program goals. SUNY Central, however, had not developed focused long-term plans to more fully capitalize on its budgetary autonomy. Flexibility had a minimal impact on faculty recruitment and promotion decisions. GRI funding facilitated growth in research dollars and increased minority graduate student enrollment. Campuses made quicker purchases and largely complied with SUNY purchasing regulations. However, some sole source purchases were inconsistent with state comptroller guidelines. (JDD)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED321630

THE LEGISLATURE – STATE OF NEW YORK

To: HE CIt

Legislative Commission On Expenditure Review

SUNY Management Flexibility Program

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY
NYS LEGISLATURE
TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

☑ This document has been reproduced as received from the person or organization originating it.
☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

Program Audit
December 1989

HE 023 592

BEST COPY AVAILABLE

STATE OF NEW YORK
LEGISLATIVE COMMISSION ON EXPENDITURE REVIEW
111 WASHINGTON AVENUE — ALBANY, NEW YORK 12210-2277
518-455-7410

TARKY LOMBARDI, Jr.
Chairman

SAUL WEPRIN
Vice Chairman

JAMES J. HAAG
Acting Director

MEMBERS

RALPH J. MARINO
Temporary President, Senate

MELVIN H. MILLER
Speaker, Assembly

TARKY LOMBARDI, Jr.
Chairman, Senate Finance

SAUL WEPRIN
Chairman, Assembly Ways and Means

JAMES R. TALLON, Jr.
Assembly Majority Leader

RONALD B. STAFFORD
Senate Deputy Majority Leader

MANFRED OHRENSTEIN
Senate Minority Leader

CLARENCE D. RAPPLEYEA, Jr.
Assembly Minority Leader

DONALD M. HALPERIN
Minority Member, Senate Finance

JOHN C. COCHRANE
Minority Member, Assembly Ways and Means

DAVID S. MACK
Partner, The Mack Company

NELSON A. ROCKEFELLER

Legislative Commission On Expenditure Review

SUNY Management Flexibility Program

Program Audit
December 1989

SUMMARY AND CONCLUSIONS

How well the State University of New York (SUNY) could compete with comparable higher educational institutions throughout the nation was a major issue facing the Legislature in the mid 1980s. An Independent Commission created by SUNY's Chancellor recommended that SUNY needed greater operating autonomy to compete nationally. Responding to these concerns, the Legislature enacted the University Operating Flexibility Act which took effect on April 1, 1986 and which allowed SUNY and the City University of New York (CUNY) greater operating autonomy.

This audit assesses SUNY's implementation of this Act which became commonly known as management flexibility. LCER is conducting a separate review on CUNY's implementation. This audit examines SUNY's use of its additional budget transfer, personnel and purchasing powers. The implementation of the Graduate Education and Research Initiative designed to improve the quality of SUNY graduate programs is also reviewed. LCER staff interviewed SUNY Central staff, reviewed pertinent documents and conducted field work at ten SUNY campuses.

SUNY Central and the campuses have made strides in using the flexibility available to improve fiscal and programmatic operations. Budgetary autonomy has enabled SUNY to better manage budget reductions and to achieve program goals. SUNY has progressed satisfactorily in meeting the Initiative goal of doubling real dollar research funds over the next ten years. Campuses have made purchases more expeditiously, but have made some sole source purchases in a manner inconsistent with more recently promulgated Office of the State Comptroller (OSC) guidelines.

Legislative Intent

The management flexibility legislation gave SUNY more autonomy to make daily operating decisions to better compete with other major higher education institutions. SUNY was empowered to implement most budget transfer, personnel and purchasing decisions without outside approval.

> Budget Transfers: SUNY can transfer funds between programs and campuses without Division of the Budget (DOB) approval subject to certain limitations. SUNY Trustees can allocate any DOB ordered budget reduction during a fiscal year.
>
> Personnel: SUNY can classify and reclassify professional positions subject only to collective bargaining constraints. SUNY is not required to submit a detailed schedule of salaries and positions for DOB approval.
>
> Purchasing: Unlike other State agencies, SUNY is not required to channel purchases above $5,000 through the Office of General Services (OGS) but SUNY must consult with OGS on purchases of $20,000 or greater.

The legislation also required SUNY to meet two sets of fiscal reporting requirements to the Governor and Legislature. Through November 1988, SUNY largely met those requirements although the SUNY reports lacked sufficient narratives. After discussions with LCER staff, the quality of narratives has improved.

Budget Execution and Governance

SUNY Central and the ten sample campuses used budgetary flexibility effectively to meet short term fiscal and program goals. SUNY Central, however, has not developed focused long term plans to more fully capitalize on its budgetary autonomy.

SUNY Central Role

Budget Execution. During the first three years of flexibility, SUNY Central established and monitored compliance with campus fiscal targets, managed utility shortfalls and allocated budget reductions.

SUNY's budgetary guidelines have been consistent with legislative intent and devolved substantial budgetary autonomy to campuses. In 1986-87 and 1987-88, SUNY made 13 budget reductions totaling $2,095,368 for 11 campuses failing to meet the revenue targets.

SUNY faced a potential utility shortfall in 1986-87 and 1987-88. SUNY covered utility expenses using transfers from university wide programs, individual campus actions and a 1987-88 deficiency appropriation. The amount of unexpended funds which lapsed to the General Fund during these two years was significantly less than before flexibility reflecting the transfer of funds to pay utility bills.

SUNY Trustees were required to allocate budget reductions totaling $16.2 million in July and December 1988. SUNY Central expeditiously communicated with the campuses and the Trustees about the budget cuts which were largely spread across the board. Campuses sustained the July 1988 cuts principally through temporary measures, though those cuts were ultimately reflected in a permanent $10 million loss in the 1989-90 budget base.

Planning. SUNY must develop a master plan every four years as an element of the Regent's comprehensive higher education plan. SUNY's 1988 Master Plan can not be used for strategic planning since it contains many repeated and/or very general recommendations. SUNY's current planning process, known as SUNY 2000, however, has the potential to develop more focused recommendations to guide the university's future under flexibility.

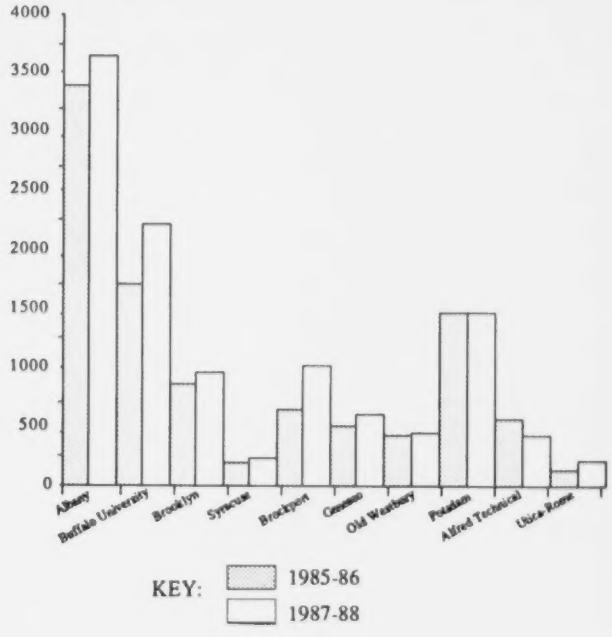
Campus Role. Before flexibility, campuses took a conservative approach to budget transfers perceiving that DOB would significantly delay approval or deny the transfer. Three campuses indicated that expenses were charged to inappropriate cost centers because of delays in or denials of transfers.

Campus officials perceived flexibility enhancing their capacity to plan, govern and manage their own affairs. They believed that flexibility helped them to address urgent issues in a more timely manner.

Chart S-1 demonstrates that eight of ten sample campuses increased the frequency of intracampus budget transfers comparing 1985-86 and 1987-88. Six sample campuses reduced the proportion of budget transfers completed after April 1st reflecting a greater ability to move funds to meet end of year budget goals. Campuses spread 1988-89 budget reductions to do the least harm to ongoing programs and current staff.

Chart S-1

Number of Budgetary Transfers for Sample Campuses 1985-86 and 1987-88



Source: Table 2.

Research and Recruitment

Flexibility was intended to help campuses upgrade their faculty and thereby improve the quality of graduate programs. Also increased autonomy over personnel decisions was complemented by new monies under the Graduate Education and Research Initiative (GRI).

Faculty Recruitment

Flexibility had a minimal impact on faculty recruitment and promotion decisions. Though these decisions no longer needed DOB approval, sufficient lead times to implement personnel decisions had been available prior to flexibility. The budget transfer authority under flexibility, however, assisted university and health science centers in meeting non-salary requirements of prospective faculty such as laboratory equipment purchases. Meeting such requests may be critical in recruiting faculty.

Professional Reclassification

Before flexibility, campuses indicated that reclassification of professional positions might take from two to six months before receiving DOB approval. The Governor's Office of Employee Relations contracted for a study completed in May 1986 which found that professional job components varied widely under given job titles. As a result professional staff did not have clear career paths.

Based on its review of the study, SUNY Central developed and implemented a six grade professional structure with job titles assigned to a single rank based upon duties and responsibilities. Campuses were responsible for reclassifying positions within this structure. Four sample campuses noted that the reclassification process most heavily affected the technical specialist and technical assistant positions.

Graduate Education and Research Initiative

SUNY had four goals for GRI:

--Develop multidisciplinary academic centers of excellence,

--Double the real dollar value of external research in ten years,

--Double the number of nationally ranking doctoral programs, and

--Increase substantially graduate enrollments of minorities and other underrepresented groups.

GRI was designed principally for the university centers, the health science centers and the specialized optometry and environmental science schools. In its first three years, $26.2 million was allocated under GRI. This funded 564.5 full-time equivalent positions primarily for faculty (182.3 positions), direct support staff (102.6 positions) and organized research (216.9 positions).

Highlights of GRI funding at the sample campuses include:

--Albany's support for the establishment of a School of Public Health,

--Buffalo's funding for a National Center for Earthquake Research,

--Brooklyn Health Science Center's (Brooklyn HSC) funding of a new laboratory,

--Syracuse Health Science Center's (Syracuse HSC) use of GRI funds to purchase equipment critical to recruiting a department chairperson, and

--Brockport's efforts through workshops and support for travel to support faculty pursuit of grants.

Three measures were used to assess GRI's short term impact:

--Minority graduate school enrollment,

--External evaluations of GRI supported programs, and

--External research dollars.

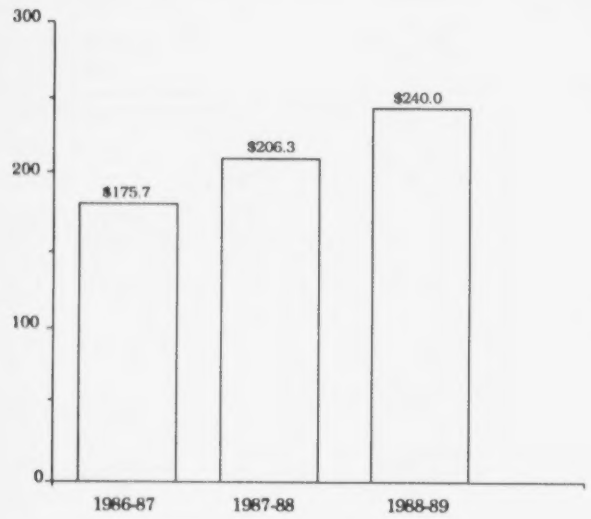
The four university and health science center sample campuses experienced growth in minority graduate student enrollments from 1986-87 to 1988-89 ranging from eight percent at Buffalo to 33 percent at the Syracuse HSC. SUNY doctoral granting institutions increased minority graduate enrollments by 11 percent.

The few recent external evaluations of GRI supported programs at Albany and Brooklyn HSC commented positively on faculty and student quality and research productivity.

The level of external research dollars is the most significant short term measure to assess GRI. As Chart S-2 indicates, SUNY research expenditures grew from $175.7 million to $240.0 million from 1986-87 to 1988-89, a 37 percent increase. Nine of ten sample campuses increased their research expenditures ranging from 11 percent at Potsdam to 414 percent at Utica-Rome. At this pace, SUNY will meet the GRI goal of doubling real dollar research expenditures in ten years, assuming an annual average inflation rate of nine percent or less.

Chart S-2

Research Expenditures
SUNY System
1986-87 to 1988-89
(in millions)



Source: Table 4.

GRI funding has facilitated the growth in research dollars. University at Buffalo officials emphasized that they refrain from permanent commitments with GRI funds which allows them to reallocate funds for other projects. Albany used GRI monies to upgrade atmospheric science research capabilities helping to attract federal funding for acid rain transport research.

Purchasing

SUNY purchasing flexibility began on a limited basis in the 1984-85 and 1985-86 State budgets and was made permanent as of April 1, 1986. Campuses have made quicker purchases and have largely complied with SUNY purchasing regulations. We found, however, that some sole source purchases were inconsistent with more recent OSC guidelines.

Campus Purchasing Policies

Sample campuses' purchasing staffs have grown little since flexibility's enactment. Purchasing departments have partially borne the additional responsibilities through extensive use of OGS term contracts, reliance on academic departments for suggested specifications and possible vendors, and on-the-job training. Under a term contract, a campus may directly purchase goods from a vendor for an established price. In 1987-88, sample campuses used 40 percent of the available OGS term contracts. Sample campuses were generally satisfied with the quality of goods available through the term contracts. Other than term contracts, SUNY involved OGS for only 75 purchase requisitions during 1987-88, mostly for medical supplies and equipment.

Regulatory Compliance

Campuses largely complied with the principal SUNY purchasing regulations. Five percent of the university and health science center sample and three percent of the other campuses sample failed to solicit the minimum number of bids. Campuses documented why awards were made to other than the lowest bidder. Campuses in both samples made 90 percent of the required consultations with OGS for purchases of $20,000 or more.

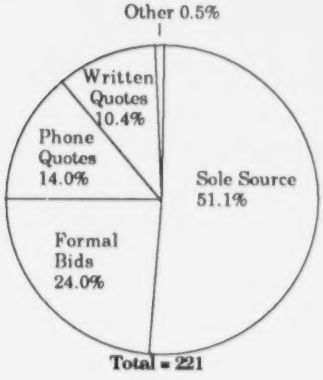
Chart S-3 presents the nature of sample campuses purchasing awards. Sole source purchases amounted to 51 percent of the university and health science center sample and 40 percent of the other campuses

sample. The university and health science centers most frequently used sole source for medical equipment (27 percent), drugs (22 percent) and computers (13 percent) while periodical subscriptions (31 percent) and computers (31 percent) encompassed over three-fifths of the other campuses sole source awards.

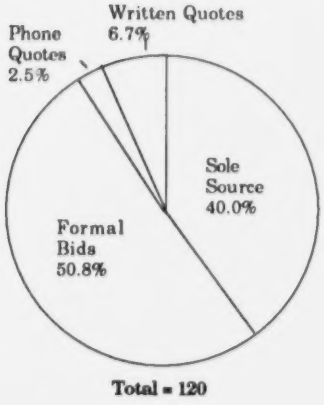
Chart S-3

Nature of Awards
Sample SUNY Campuses
1987-88

Health Science and University Centers



Other Campuses



Source: Table 7.

While almost all (97 percent) of the sole source purchases were supported by written justifications, some were inconsistent with a subsequent June 1989 OSC guideline on sole source purchases. For example, the other campuses sample used convenience and ease (13 percent) and discount from a State contract price (19 percent) as two of their justifications. The university and health science centers used product quality to justify eight percent of their sole source purchases. These reasons are inconsistent with OSC's criteria limiting sole source awards to where only one contractor can supply the goods or services.

Timing and Competition

As noted in Chart S-3, sole source and formal bid awards constituted most of the university and health science center (75 percent) and other campuses (91 percent) purchase samples. Campuses sought additional vendors through lists of local companies, academic department suggestions, a register of manufacturers, the SUNY vendor system and trade fairs and shows.

The table below compares the 1987-88 purchase processing times for the two LCER samples. Prior to flexibility, SUNY estimated that OGS purchases took four to six months to consummate. As the table indicates, both samples took an average of 1.4 months to process purchases with formal bids consuming the most time slightly over two months.

1987-88 Monthly Processing Times

	University and Health Science Centers	Other Campuses
Sole Source	1.1	0.7
Formal Bids	2.3	2.0
Written Quotes	1.6	1.4
Telephone Quotes	0.9	0.8
Other	1.7	-
Average	1.4	1.4

OGS 1987-88 processing times also were faster than SUNY's pre-flexibility processing estimates. Formal bids were processed in 3.5 months while written quotes were completed in 2.5 months. This improvement in OGS processing times can be

partially attributed to a 43 percent drop in the number of individual purchase requisitions processed from 1983-84 to 1987-88. This drop was facilitated by SUNY's reduced reliance on OGS, OGS authorization for three agencies to process most purchases over $5,000 and an increase in the number of OGS term contracts.

OGS and SUNY 1987-88 processing times are not fully comparable because of differences in statutory processing requirements and internal differences in processing procedures. OGS, unlike SUNY, must receive OSC preapproval for purchases between $5,000 and $20,000. SUNY academic departments contributed heavily to developing specifications for items before the purchasing department receives the request. OGS performs much of that work after it receives the requisition.

Preferred Source and MWBE Sales

SUNY campuses are encouraged but no longer required to make purchases from State preferred sources which include the Industries for the Blind, the Industries for the Handicapped and Correctional Industries (Corcraft). SUNY Central has assigned campuses sales goals to encourage sales to minority and women owned business enterprises (MWBE) based on a 1983 Executive Order which was codified in 1988.

Preferred Source Sales. SUNY orders to the Industries for the Blind (257 percent) and the Industries for the Handicapped (576 percent) grew substantially from 1983-84 to 1987-88. Purchases totaled $162,877 for the Blind and $173,041 for the Handicapped in 1987-88. Sample campuses reported purchasing primarily low dollar ticket items such as office and maintenance supplies from these two sources.

SUNY purchases from Corcraft, however, dropped 51 percent during the same period. Dissatisfaction with Corcraft delivery times and the performance of service representatives were the reasons for the decline given by sample campuses.

MWBE Sales. Eight of ten sample campuses increased their MWBE purchases from 1986-87 to 1988-89 with growth ranging from 47 percent at Albany to 431 percent at the Brooklyn HSC. These figures include both certified and uncertified vendors. Certified vendors constituted 46 percent of 1988-89 sales. Increases in MWBE purchases can be partially attributed to campus initiatives such as participation in minority business councils, holding minority trade fairs and issuance of a presidential directive to substitute MWBE vendors when quality and price are comparable. SUNY Central staff indicated that most MWBE purchases are under $5,000, -- i.e., discretionary purchases which allow campuses to make an award to a MWBE vendor without competitive bidding.

Procurement Opportunities Newsletter

The Procurement Opportunities Newsletter created by Chapter 261 of the Laws of 1988, took effect on July 1, 1989. It is intended to stimulate additional competition for State purchases by requiring that intent to purchase notices for most goods and services above $5,000 be published in the newsletter at least 15 days before a bid date is due. SUNY must meet the newsletter requirements for purchases above $10,000 except for preferred source or emergency contracts. For purchases between $10,000 and $20,000, a SUNY campus may publish in the newsletter or solicit all vendors listed on the school's pertinent commodity list. Purchases above $20,000 must be published in the newsletter.

Officials at sample campuses opined that the newsletter will require additional planning and clerical work to implement and will lead to delays in processing. Both SUNY Central and sample campuses indicated that sole source purchases should be exempt from the notification requirements of this legislation. However, OSC guidelines do not exempt sole source purchases. OSC staff indicated that they will grant sole source exemptions only on a case by case basis. Given SUNY's extensive use of sole source purchases, OSC and SUNY may need to clarify the appropriate use of sole source.

Conclusions

SUNY has used flexibility and GRI funds to improve its ability to compete nationally. Increased budgetary autonomy has helped SUNY meet program and fiscal goals. Long term planning still needs to be improved to assure that SUNY has clear goals to effectively implement its increased autonomy. SUNY has progressed toward meeting the GRI's goal of doubling real dollar external research. SUNY campuses have completed purchases more quickly better serving academic needs, though some sole source purchases are inconsistent with recent OSC guidelines.

Staff Findings and Recommendations

Chapter 58 of the Laws of 1980 requires heads of audited agencies to report within 180 days of receipt of the final program audit to the Chairman of the Legislative Commission on Expenditure Review and the Chairmen and the Ranking Minority Members of the Senate Finance Committee and the Assembly Ways and Means Committee on what steps have been taken in response to findings and conclusions and where no steps were taken, the reasons therefor.

1. SUNY needs focused objectives to best utilize its budgetary autonomy under flexibility. The 1988 SUNY Master Plan includes many general and/or repeated recommendations making it poorly suited for strategic planning. SUNY Central has developed the outline of SUNY 2000 which is designed to develop specific directions for the 1990s. **SUNY should integrate the strategic planning focus of SUNY 2000 into its preparation and development of the 1992 Master Plan.** (See pp. 10-12).

2. SUNY Central and the sample campuses have used flexibility to meet fiscal and program goals. This includes increased budget transfers to meet fiscal targets and utility shortfalls during 1986-87 and 1987-88, use of contingency reserves as a budgetary tool and local decision making to accommodate two rounds of budget reductions during 1988-89. (See pp. 5-10).

3. SUNY was required to submit reports to the Governor and the Legislature to assure accountability under flexibility. Reviewing reports through November 1988, SUNY largely met the requirements except for insufficient narratives in bimonthly reports. More recent bimonthly reports have included more complete narratives about SUNY's fiscal situation. (See p. 7).

4. SUNY has made progress toward meeting its Graduate Education and Research Initiative (GRI) goals of increasing research expenditures and minority graduate enrollments. External research dollars have grown from $175.7 million to $240.0 million from 1986-87 to 1988-89, a 37 percent increase. If that increase is sustained, SUNY will meet its ten year goal of doubling the real dollar value of its research assuming an average inflation rate of nine percent or less. SUNY has increased minority graduate enrollment by 11 percent since 1986-87. (See p. 18).

5. The Office of General Services has decreased its processing time for individual requisitions since flexibility took effect from an estimated four to six months to 3.5 months for formal bids and 2.5 months for written quotes during 1987-88. The decline can be attributed partly to a decreased work load stemming from SUNY flexibility, a growth in term contracts and memoranda of understanding allowing three agencies to conduct most of their own purchases above $5,000. (See p. 26-27).

6. Sample SUNY campuses purchases largely complied with major competitive bidding regulations under flexibility. During 1987-88, the two LCER samples processed their 1987-88 in 1.4 months, significantly less than the processing time estimates prior to flexibility. (See pp. 22-23, 25-26).

7. Fifty-one percent of the university and health science center purchase order sample and 40 percent of the other campuses' purchase order sample were sole source awards. While documentation to justify sole source awards was almost always available (97 percent), some justifications such as convenience and ease, discount from State contract price and quality of product are inconsistent with the State Comptroller's recent sole source guidelines. **To assure that sole source purchases are used only when appropriate, SUNY Central should:**

   a. **Seek further clarification of the criteria that the State Comptroller will use in reviewing sole source purchases under the Newsletter legislation, and**

b. **Send a memorandum to campuses based upon the results of SUNY-State Comptroller discussions to provide a clear explanation of the acceptable uses of sole source purchases. (See pp. 23-25).**

8. SUNY campuses are encouraged to make purchases under flexibility with preferred source vendors including Industries for the Blind, Industries for the Handicapped and Correctional Industries (Corcraft) and minority and women owned business enterprises (MWBE). Purchases from the blind and handicapped workshops rose by 257 percent and 576 percent respectively from 1983-84 to 1987-88 while Corcraft purchases dropped by 51 percent over the same period. The drop in Corcraft orders was attributed to dissatisfaction with delivery times. MWBE purchases increased at eight of ten sample campuses from 1986-87 to 1988-89. (See pp. 27-29).

TABLE OF CONTENTS

		Page
Summary and Conclusions		S-1
Foreword		ii
Chapter		
I	Background and Legislative Intent	1
	Background	1
	Legislative Intent	2
	Audit Scope and Methodology	4
	Chapter Summary	4
II	Governance and Budget Execution	6
	SUNY Central Budget Execution	6
	Campus Budget Execution	7
	Planning and Governance	10
	Chapter Summary	12
III	Research and Recruitment	13
	Recruitment and Reclassification	13
	Graduate Education and Research Initiative	14
	Chapter Summary	18
IV	Purchasing	20
	Campus Purchasing Policies	20
	Campus Purchasing Records	22
	Procurement Opportunities Newsletter	29
	Chapter Summary	31
Appendix		
A	Field Work Sample Design	32
B	Agency Responses	36

FOREWORD

The Legislative Commission on Expenditure Review (LCER) was established by Chapter 176 of the laws of 1969 as a permanent agency for among other duties "the purpose of determining whether any such department or agency has efficiently and effectively expended funds appropriated by the Legislature for specific programs and whether such departments or agencies have failed to fulfill the legislative intent." This program audit, SUNY Management Flexibility Program is the 190th staff report.

How well the State University of New York (SUNY) could compete with comparable higher educational institutions was a major issue facing the Legislature in recent years. Concerns had been expressed that SUNY needed greater operating autonomy to compete nationally. Responding to these concerns, the Legislature granted SUNY and the City University of New York (CUNY) greater management flexibility. LCER is conducting a separate audit on CUNY's implementation of management flexibility.

SUNY Central and the campuses have made strides in using flexibility to improve fiscal and programmatic operations. Budgetary autonomy has enabled SUNY to better manage budget reductions and to achieve program goals. At this time SUNY has made satisfactory progress toward reaching the Graduate Education and Research Initiative goal of doubling real dollar research funds over the next ten years. Campuses have made purchases more expeditiously, but have made some sole source purchases in a manner inconsistent with recently promulgated Office of the State Comptroller guidelines.

Appreciation is expressed to the State University of New York both at the Central Office and at the ten campuses visited. The Office of General Services (OGS) staff also were very cooperative in completion of the audit. Appendix B contains the SUNY and OGS responses to the audit.

The audit was conducted by David Rowell, Project Manager, and Patricia McGlone. Stuart Graham supervised quality control. Karen McNamara handled production. Graphics and layout were performed by Dawn Hewitt and Marilyn Kroms. Overall supervision was the responsibility of the Acting Director.

The Commission is interested in hearing from the readers of its audits. Any comments or suggestions should be sent to the Acting Director at the address listed on the inside cover of this audit.

The law mandates that the Chairmanship of the Legislative Commission on Expenditure Review alternate in successive years between the Chairman, Senate Finance Committee, and the Chairman, Assembly Ways and Means Committee. Senator Tarky Lombardi, Jr. is Chairman for 1989 and Assemblyman Saul Weprin is Vice Chairman.

December 20, 1989

James J. Haag
Acting Director

I BACKGROUND AND LEGISLATIVE INTENT

Chapters 552 to 555 of the Laws of 1985 gave the State University of New York (SUNY) and the City University of New York (CUNY) greater operating autonomy than other State agencies. This legislation, commonly referred to as management flexibility, removed some long standing restrictions on SUNY and CUNY budget execution, personnel recruitment and classification and purchasing. This audit assesses how flexibility has affected SUNY Central and campus operations. The impact of flexibility on CUNY operations will be the subject of a separate LCER audit.

Background

Independent Commission

The Independent Commission on the Future of the State University of New York was created in February 1984. The Commission, created by the Chancellor with the concurrence of the SUNY Trustees, was intended to encourage citizen participation in deliberations concerning the future course for SUNY in an era of "constrained resources" and an "increasingly restrictive regulatory environment." Composed of 15 nationwide leaders in government, business, labor and education, the work of the Commission was funded by grants from several private foundations.

The Commission published The Challenge and the Choice, which became the basis for legislative hearings, debate, and negotiations and ultimately led to the State and City University Operating Flexibility Act, approved in July 1985. The spirit of the Commission's findings are embodied in:

> Unanimously, the members of this commission believe that no great university, and no very good one, has been built or can be built under the state rules that presently govern the administration of SUNY. There is a clear choice before New York: The state can decide that New York is not going to get a public university of high quality. Or it can change the rules.

The Commission found that certain State control procedures inhibited SUNY's competition with other prestigious higher education institutions. Without greater fiscal autonomy and an ability to make quicker decisions in order to compete for grants and high quality staff, the Commission believed that SUNY would continue to fall behind other respected public universities.

Legislative Intent

The 1986 Annual Report of the Assembly Committee on Higher Education reflects the legislative intent behind flexibility:

> The flexibility legislation strikes an appropriate balance between autonomy and accountability by ensuring that decisions are made in the right place. The Legislature and the Governor continue to set broad goals for the Universities. But for the first time those charged with day-to-day management of the schools now exercise authority consistent with their responsibilities. The legislation provides SUNY and CUNY with the degree of self-governance other great universities have long enjoyed.

Governor Cuomo's approval memorandum on the legislation emphasized the theme that flexibility was to assist SUNY in achieving "the greatest level of academic excellence" by allowing the Board of Trustees "substantial discretion to redirect funds among programs and campuses as necessary to serve the most important priorities."

Elements of Flexibility

Exhibit I delineates the principal elements of the flexibility legislation in:

--Budget execution,
--Purchasing and contracting, and
--Personnel.

The budget execution provisions allow SUNY Trustees and individual campuses greater latitude to move funds between major programs, purposes and campuses (the latter restricted to the Trustees) without State Division of the Budget (DOB) approval. The Trustees also were empowered to allocate budget reductions without DOB approval. The 1989-90 State Operations budget further increased flexibility by consolidating each campuses' appropriation as one line item (instead of four or five as before) and by treating each campus as one program.

For personnel, SUNY can classify and reclassify professional positions without DOB approval. Also, by eliminating SUNY's submission of a schedule of positions and salaries to DOB for approval, SUNY no longer needs to obtain DOB approval for certain faculty promotion and salary adjustments.

SUNY flexibility for purchasing and contracting predated the April 1, 1986 start-up of the management flexibility statute. In the 1984-85 and 1985-86 State budgets, SUNY campuses were empowered to make purchases up to $10,000 without having to obtain a release from the Office of General Services (OGS). Flexibility increased the limit to $20,000. In contrast, all other State agencies channel individual purchases above $5,000 through OGS unless OGS releases the purchase back to the agency.

SUNY also is no longer required to adhere to the mandate to purchase goods from State preferred sources. These include Correctional Industries, the Industries for the Blind and the Industries for the Handicapped. Through this mandate, the State intends to promote rehabilitation for workshop clients through increased sales. Moreover, SUNY does not need Office of the State Comptroller (OSC) preapproval for contracts below $20,000 except for printing contracts above $5,000.

Lastly, SUNY was required to meet two sets of reporting requirements under flexibility to assure accountability:

> --On the fifteenth day of July, October, January and April of each year, the state university shall provide the chair of the senate finance committee and the assembly ways and means committee, the state comptroller and the director of the budget with quarterly reports of all transfers or interchanges... And,
>
> --On the fifteenth day of June, August, October, December, February and April of each year, the trustees of the state university shall submit to the chairs of the senate finance committee and the assembly ways and means committee, and the director of the budget for informational purposes, bi-monthly reports developed in consultation with the aforementioned chairs and director of all receipts and disbursements....

Exhibit I

SUNY Flexibility Legislation
Major Provisions

1. Budget Execution:

--Once the Director of the Division of the Budget (DOB) approves a certificate establishing an aggregate expenditure limit and a maximum number of positions, SUNY may expend its appropriations.

--SUNY Trustees may move funds between programs and/or campuses without DOB approval. Campuses may also make budget transfers not subject to DOB review. The statute places several limits on the proportion of funds which can be moved from particular types of appropriations.

--If the Governor acts to limit State expenditures, DOB may set an expenditure limitation below the amount appropriated. SUNY Trustees are authorized to allocate that reduction within 30 days not subject to the limitations on transfers otherwise applicable.

2. Purchasing and Contracting:

--SUNY is authorized to purchase or lease materials, equipment, or supplies and to contract for services without prior review of the Office of General Services (OGS) for purchases up to $20,000. For transactions of $20,000 or more SUNY must consult with OGS and receive State Comptroller preapproval for contracts.

--SUNY is required to get State Comptroller preapproval for printing contracts exceeding $5,000.

--Unlike other State agencies, SUNY is not required to purchase goods from State preferred sources which include Correctional Industries, Industries for the Blind and Industries for the Handicapped.

3. Personnel:

--SUNY may classify and reclassify professional positions and fix compensation for those positions within the framework established by collective bargaining agreements without DOB approval.

--SUNY is no longer required to submit a detailed schedule of positions and salaries for DOB approval and may set the salary for the Chancellor and other top level officials.

Source: Chapters 552 to 555 of the Laws of 1985 and Chapter 263 of the Laws of 1987.

Audit Scope and Methodology

This audit evaluates SUNY's implementation of flexibility in the areas of budget execution and governance, recruitment and research and purchasing. LCER staff initially reviewed SUNY Central budget execution and subsequently conducted campus visits to assess local implementation. To accomplish these objectives, LCER staff:

--Made data requests to and conducted interviews with SUNY Central staff;

--Conducted interviews with OGS staff and reviewed OGS purchases for SUNY and other State agencies; and

--Carried out field work at ten SUNY campuses.

The campuses were randomly selected and represent a geographically dispersed cross-section of schools. During each visit, LCER staff reviewed the campus data submissions; interviewed campus representatives regarding audit issues; and examined two samples of 1987-88 purchase orders of $5,000 or greater. Appendix A details the sample design for the selection of campuses and purchase orders reviewed.

Chapter II assesses budget execution and governance under flexibility at SUNY Central and at the campuses. Chapter III reviews how flexibility has affected campus recruitment for faculty and the reclassification of professional personnel. The impact of the Graduate Education and Research Initiative, begun in 1987-88 to improve the quality of SUNY graduate programs and research, is also addressed. Chapter IV examines how campuses have implemented the purchasing provisions of flexibility.

Chapter Summary

● Management flexibility was intended to give SUNY the autonomy necessary to make decisions to compete with other major higher education institutions and to achieve the greatest level of academic excellence.

● Under flexibility, SUNY Central and the campuses are given greater latitude in making budget execution, personnel and purchasing decisions without approval from several control agencies.

● Though some latitude in purchasing was already granted to SUNY, the management flexibility statute increased SUNY's authority. Under purchasing flexibility, SUNY is not required to channel purchases through OGS except for OGS consultation on purchases valued $20,000 or more. SUNY campuses also are not required to purchase goods from State preferred sources.

● SUNY is subject to two sets of reporting requirements to the Governor and the Legislature to assure accountability under flexibility.

II GOVERNANCE AND BUDGET EXECUTION

Flexibility granted SUNY increased authority to execute its budget independent of DOB oversight. This chapter evaluates the implementation of those provisions by examining:

--How SUNY Central has performed as the central fiscal manager under flexibility;

--How campuses have managed their budgets under flexibility; and

--How flexibility has affected SUNY planning and governance;

SUNY Central Budget Execution

SUNY Central established budget execution guidelines for each year under flexibility. Those guidelines, consistent with legislative intent, gave campuses autonomy to manage their operations subject to revenue and expenditure targets. Campuses failing to achieve their revenue or expenditure targets were required to reduce expenditures to compensate. Beginning in 1987-88, campus overexpenditures were liquidated by using funds from the subsequent year's appropriation. Intracampus transfers having a significant program impact were subject to SUNY Trustee review and approval.

Implementation of Fiscal Plans

From 1986-87 to 1988-89, SUNY Central faced different fiscal challenges. In the first two years, utility allocations were the most critical concern. In 1988-89, SUNY Central was responsible for making recommendations to the Trustees on the management of two rounds of budget reductions.

First Two Years. The principal fiscal management issues faced by SUNY Central during the first two years of flexibility -- 1986-87 and 1987-88 -- were the failure of several campuses to meet revenue targets and the financing of utility bills.

SUNY Central made 13 allocation reductions totaling $2,095,368 for the 11 campuses which failed to meet revenue targets in one or both of those years. In addition, for the three campuses failing to meet the revenue targets in both fiscal years, SUNY Central used a combination of allocation reductions, a correction of a previous year's overdistribution and additions to the campuses' subsequent year revenue targets to rectify the failures to meet the targets.

Table 1 summarizes how SUNY managed its utility shortfalls for the two years. In 1986-87, a deficiency appropriation was avoided by covering a projected $3.7 million shortfall through transfers from university wide program funds and campus actions. In 1987-88, approximately half ($4.1 million) of the shortfall was covered through university wide programs and campus actions while the rest was funded through a deficiency appropriation. A small amount of the campus actions ($37,511 for 1986-87 and $291,962 for 1987-88) involved campuses' utilizing funds from the following year's appropriation.

SUNY used its budget transfer authority to minimize or eliminate the utility shortfalls. The amount of appropriated funds unexpended for the SUNY system dropped from $1.9 million and $4.1 million for 1984-85 and 1985-86 to approximately $0.5 million for both 1986-87 and 1987-88. The volume of SUNY general purpose regular budget transfers rose from 60,582 in 1985-86 prior to flexibility to 69,406 in 1987-88, an increase of 14.6 percent. This reflects an effort to move funds to meet fiscal and programmatic demands.

Table 1

SUNY Management of Utility Shortfalls
1986-87 and 1987-88
(in millions)

	1986-87	1987-88
Expenditures	$ 76.0	$ 80.7
Shortfall from Initial Allocation	3.7	8.1
Covered By		
Transfers from university wide programs	2.5	2.2
Individual campus actions	1.2	1.9
Deficiency appropriation	--	4.0

Source: SUNY Central staff, January 1989.

Management of Budget Reductions. In response to statewide budget reductions initiated by the Governor, SUNY faced lump sum reductions of $10.0 million in July 1988 and $6.2 million in November 1988. These budget reductions were SUNY's first use of its authority to independently allocate budget reductions within a fiscal year.

SUNY Central expeditiously communicated with the campuses during the two budget reduction rounds and provided the Trustees with detailed information on the nature, extent and impact of the cut backs. Campus reductions were largely allocated across the board with consideration given to unique situations as determined by campus deviations from system wide benchmark averages.

Campuses were allowed to allocate the reductions as they deemed appropriate. They generally made temporary reductions to meet the July 1988 first round reduction and did not propose a significant number of permanent position reductions.

The July 1988 $10 million reduction was made permanent in the 1989-90 budget base. A permanent reduction of $27.7 million was made in campus, SUNY Central and university wide program budgets for 1989-90. Over 90 percent was taken from personal service regular funds resulting in an elimination of 663.1 positions. The cuts were mitigated by a DOB recision of $17.7 million in the enforced savings to be generated from turnover in campus staffing. The estimated permanent position loss from the July 1988 reductions was 196.6 positions.

The December 1988 $6.2 million reduction was absorbed largely in supplies ($2.4 million), personal service regular ($1.6 million) and equipment ($1.4 million). These reductions were not made permanent in the 1989-90 budget.

Reporting Requirements

To balance the fiscal autonomy approved under flexibility, SUNY was required to produce a series of bimonthly and quarterly fiscal status reports for the Governor and Legislature. In reviewing reports submitted through November 1988, LCER found that SUNY largely met the reporting requirements. The bimonthly reports, however, did not provide sufficient detail relative to revenue shortfalls, deficiencies, surpluses, or budgetary actions by the Governor. For example, more information on the nature of the 1988-89 budget reductions would have been useful. The quarterly reports also could have provided more information about the program impacts of transfers.

LCER staff discussed these deficiencies with SUNY Central staff. SUNY's February, April and June 1989 bimonthly reports provided greater information about revenue shortfalls, surpluses and budgetary actions.

Campus Budget Execution

Campuses were allowed to make budget transfers subject to specified percentage limitations under flexibility. SUNY Central required that intracampus transfers having a significant program impact be subject to Board of Trustee review and approval.

Pre-flexibility Transfers

Campus Perspective. Prior to flexibility campuses took a conservative attitude toward requesting approval of major budget transfers perceiving that approvals might be significantly delayed or denied. Campus officials estimated such transfers took two to four months to process after submission to SUNY Central. Seven of the ten campuses cited DOB and three also added SUNY Central as partly responsible for the delays.

Six campuses mentioned administrative or programmatic problems stemming from transfer delay or denial. Three campuses reported charging costs to inappropriate cost centers because transfer approvals were delayed or denied. Four campuses reported problems in moving funds to accommodate equipment purchases. For example, one health science center chose not to expend personal service funds to purchase equipment because of the perception that DOB would not approve transfers unless justified by "life threatening" situations.

Timing of Pre-flexibility Transfers. LCER staff reviewed DOB processing for 1985-86 SUNY transfer certificates, the last year prior to flexibility. SUNY Central processing time could not be determined from available documentation. Average DOB processing time for the 14 certificates for which information was available was 21 days, ranging from a low of five days (an end of year deficiency certificate) to 36 days.

Beyond DOB's review, SUNY Central's schedule for 1985-86 transfers allowed for a minimum of 12 days internal processing time. Thus transfers took on average a minimum of 33 days to process. In comparison, SUNY's 1988-89 certificate transfer schedule allowed for temporary moves every two weeks, with a five day internal processing time resulting in a maximum processing time of 19 days.

Other processing problems with 1985-86 certificates were apparent. Campus allocations for a Critic Teacher Tuition reimbursement program could not be processed because the allocation was contained in the Academic Equipment Replacement fund. A special certificate was needed to move the money to tuition reimbursement. In October 1986, SUNY Central and DOB had to negotiate transfer arrangements to correctly categorize university hospital clinical instructional staff funds.

The transfer required moves on two separate certificates to appropriately allocate the funds. These administrative impediments delayed the availability of program funding and possibly implementation.

Budget Transfer Policies Under Flexibility

As noted above, the 1988-89 SUNY transfer certificate schedule allowed campuses to make temporary budget transfers every two weeks. Thus unless a transfer violates the percentage limitations, requires SUNY Central review as a permanent change in the campus budget base, or cannot be approved because of insufficient funds, campuses are assured of automatic transfer approval.

Campuses varied on the administrative approval level for transfers under flexibility. Six sample campuses assigned one or more Vice Presidents or Deans to approve most transfers while the other four required presidential review and approval of all transfers. Three of the four university and health science centers established the Vice President as the highest level of approval reflecting the size of these institutions.

Table 2 compares the number of intracampus transfers for 1985-86 and 1987-88. All but two campuses increased the number of intracampus transfers over that period. The total number of 1987-88 transfers varied widely from 114 (Utica-Rome) to 3,556 (Albany) partly reflecting varying campus policies on the use of transfers to charge back centralized costs such as telephone and postage to individual departments.

LCER also reviewed the timing of budget transfers before and after flexibility. The most significant change was the decline in the proportion of transfers completed after the end of the fiscal year at six campuses. These moves are made between April 1st and September 15th. Funds unexpended by September 15th and not reappropriated lapse to the General Fund. A decline in these transfers might indicate that campuses are better able to complete their budget transfers more promptly thus enabling them to better implement their budgetary priorities.

Campus officials emphasized that budgetary flexibility enabled them to achieve fiscal and programmatic goals more expeditiously. For example, Old Westbury made a large number of transfers in 1987-88 to rectify problems in the accuracy of their Personnel Data System. Syracuse HSC used funds available from faculty vacancies to acquire equipment, facilitating the recruitment of department chairpersons.

Campus Fiscal Management

Under flexibility, campuses were required to meet revenue and expenditure targets and were encouraged to develop contingency reserve accounts to manage unforeseen circumstances. This section examines campuses' fiscal management of budget targets, utility expenses and 1988-89 budget reductions.

Budget Targets and Controls. Campus officials said that the revenue targets established by SUNY Central for 1986-87 and 1987-88 were reasonable. Five sample campuses did not meet the revenue and/or expenditure targets for one or both of those years.

The two most significant shortfalls involved revenue targets. One campus did not meet its 1987-88 revenue target because the State appropriation for tuition scholarships had not increased since 1985-86. The campus had increased their use of tuition scholarships and staff believed that SUNY Central should have absorbed such increases. Staff at the other campus believed that the end of the year accounts receivable goal established for tuition payments was unreasonable.

Table 2

Intracampus Budget Transfers[a]
Sample Campuses
1986-86 and 1987-88

Campus	1986-86	1987-88	Percent Change[b]
University and Health Science Centers			
Albany	3,290	3,556	8.1
Buffalo	1,600	2,126	32.9
Brooklyn HSC	762	862	11.8
Syracuse HSC	97	140	44.3
Other Campuses			
Brockport	550	922	67.6
Geneseo	420	507	20.7
Old Westbury	326	353	8.3
Potsdam	1,364	1,362	(0.1)
Alfred	458	322	(29.7)
Utica-Rome	37	114	208.1

[a]To measure the level of intracampus transfers, the SUNY Central category of transfer decreases was used since unlike transfer increases which would include allocations from university wide programs and new allocations which includes new funds for a campus from appropriations, these largely represent intracampus fund moves.
[b]Percent declines are in parentheses.

Source: LCER analysis of SUNY Central Transaction Journal printout, March 1989.

Each sample campus developed a contingency reserve fund under flexibility. The mechanisms used varied among the campuses with other than personal service expenditures (OTPS) being part of the contingency reserve for five campuses.

Utility Shortfalls. Sample campuses experienced a variety of fiscal situations relative to utility expenditures for 1986-87 and 1987-88. The campuses can be divided into four categories:

--Three "donor" campuses which sent utility funds to other campuses;

--Three "recipient" campuses which received funds from other campuses;

--Two campuses which made internal reallocations to cover utility costs; and

--Two campuses which required no movement of funds to cover utility bills.

The recipient campuses also moved monies to cover part of the utility shortfalls. Beginning in 1988-89, responsibility for covering utility expenses was transferred to the individual campuses. Any deficits were to be covered by internal reallocations while a campus could reallocate any surpluses.

Management of Budget Reductions. In the July and December 1988-89 budget reductions, the President and the Vice Presidents were the key decision makers. The campuses sought to minimize harm to academic programs and loss of personnel. Therefore reductions were primarily made in faculty vacancies and OTPS expenditures such as reducing academic equipment purchases.

Summary

Sample campuses have used budgetary flexibility to address fiscal and program needs. SUNY Central increased campus accountability through establishing revenue and expenditure targets and by making campuses responsible for balancing their utility budgets beginning in 1988-89.

Planning and Governance

SUNY received greater authority to make decisions setting campus and system wide priorities under flexibility. SUNY needs clear and focused objectives to most effectively use this authority in defining the university's future.

SUNY Central

SUNY is required under Section 354 of the Education Law to develop a master plan every four years on the university's future. This shall include plans for new curricula, new facilities, policy changes on student admissions and projections on student enrollments. This plan is subject to review and approval by the Board of Regents and the Governor and is ultimately integrated into a comprehensive higher education plan by the Regents under Section 237 of the Education Law. LCER staff analyzed the recommendations in SUNY's 1984 and 1988 Master Plans and interviewed SUNY Central staff to determine whether SUNY's planning processes had developed clear and focused objectives essential in making decisions on allocating resources.

Many of the 1988 Master Plan recommendations were reiterated from the 1984 Plan. Of the 20 recommendations in the 1988 Master Plan, eight were repeated from the 1984 Plan while six others were similar to 1984 recommendations. This is inconsistent with statutory requirements which emphasize recommendations for new curricula, new facilities and policy changes on student admissions. Some of the recommendations from the 1988 Plan were very general and did not establish a focused direction.

--The University will continue to explore and implement all valid alternatives for the effective use of its resources.

--The University will continue its capital construction program in order to provide the facilities required to conduct its programs.

--The University will continue to exercise its responsibility for the maintenance, repair and restoration of campus facilities.

--The University will continue to reduce energy consumption and increase energy efficiency at all campuses.

--The University will work to assure the continued excellence of its undergraduate educational experience.

While other recommendations provided more specific direction, these merely restate basic responsibilities, a rather limited result for a master plan.

SUNY Central officials indicated that the master plan has not been useful as a strategic planning document either before or with flexibility. Before flexibility, limits on SUNY's ability to move funds and make decisions not subject to outside review made plan implementation difficult. The master planning process also was viewed as time consuming which limited its practicality. Preparations for the 1988 Plan began in 1986 with extensive data collection at the campus level prior to SUNY Central and Trustee review.

With the limited use of the master plan, SUNY is now developing a separate long term strategic plan known as SUNY 2000. Subsequent to the initiation of SUNY 2000, SUNY formed a Management Advisory Committee and the Legislature required a five year strategic plan due in October 1989.

The nine member Management Advisory Committee comprised of managers from large complex organizations dispersed throughout the State, was intended to provide a business perspective on university management. SUNY Central staff shared with the Committee the general thrusts of the Five Year Plan being prepared by SUNY for the Legislature.

SUNY Central submitted a five year plan in October 1989 as required by Chapter 391 of the Laws of 1989. SUNY Central has several task forces underway on areas such as enrollment, staffing and funding, facilities and program development to develop SUNY 2000. This plan is the first step toward the completion of SUNY 2000.

SUNY 2000 is expected to be more focused than prior master plans. The first working paper for the planning process is to identify "only the most critical priorities of the State that the SUNY System can address successfully within the resources that will be available to New York State." The plan anticipates that program expansion or new initiatives will be funded principally through campus or system wide reallocations. The final document is expected to approve specific recommendations for major program, enrollment and resource changes.

SUNY 2000 is an appropriate vehicle to develop focused directions in the next decade. Clear directions are essential since flexibility is a means not an end to improving the university. Whether this will occur and how SUNY 2000 will be integrated with subsequent master plans remains to be seen.

Campus Level Decisions

Campus officials indicated to LCER staff that flexibility had enhanced their capacity to plan, govern and manage their own affairs. They perceived that urgent issues can now be addressed in a more timely manner.

Flexibility did not lead to significant organizational changes at the sample campuses. Rather, campus officials discussed how flexibility has been used to implement programmatic decisions more expeditiously. For example, Geneseo staff noted how the campus made budget transfers to purchase equipment more quickly for their new computer science program. Syracuse Health Science Center (Syracuse HSC) was able to expand a joint hospital nursing program as a self supporting operation -- a structure that is available under the flexibility legislation. It is believed that prior to flexibility, program approval would have been difficult. Brooklyn Health Science

Center (Brooklyn HSC) staff indicated that the principal constraint on their actions now is their total allocations, not how their funds are distributed.

Chapter Summary

- SUNY managed its utility shortfalls for the first two years under flexibility through transfers from university wide programs, individual campus actions and a 1987-88 deficiency appropriation. The amount of funds lapsed by SUNY during those two years was significantly less than before flexibility reflecting SUNY's use of budget transfers to minimize shortfalls.

- SUNY Central expeditiously communicated with campuses and the Trustees during the two rounds of 1988-89 budget reductions. Campuses largely took the July 1988 reductions through temporary measures. The July 1988 reductions resulted in a net permanent loss of $10 million in the 1989-90 budget base.

- SUNY Central fiscal reports up to November 1988 lacked detailed narratives about the impact of budgetary actions. Bimonthly reports since January 1989 have alleviated this deficiency.

- Eight of the ten sample campuses increased their intracampus transfers comparing 1985-86 and 1987-88. The proportion of transfers completed after the end of the State fiscal year dropped at six sample campuses reflecting completion of quicker budget transfers.

- The 1988 SUNY Master Plan included a large number of very general recommendations and many recommendations repeated or only slightly revised from the 1984 Master Plan. The lack of clear and focused objectives limits SUNY's capacity to use most effectively its authority under flexibility.

- As conceptualized, SUNY 2000 has the potential of being a useful strategic planning tool.

III RESEARCH AND RECRUITMENT

The Independent Commission emphasized SUNY's need to compete nationally to improve the quality of its graduate, particularly doctoral, programs. Beginning in 1987-88, SUNY received funds to upgrade graduate programs through the Graduate Education and Research Initiative (GRI). Flexibility also gave SUNY greater latitude in recruiting faculty and classifying professional positions. This chapter examines SUNY's use of flexibility and GRI funds for research and recruitment by reviewing:

--The impact of flexibility upon faculty recruitment and the reclassification of professional positions,

--The use of GRI funds at the sample campuses, and

--The status of SUNY's attainment of GRI goals.

Recruitment and Reclassification

Flexibility empowered SUNY to independently classify and reclassify professional positions and to fix compensation subject to collective bargaining. Many decisions on faculty promotion and compensation were no longer subject to outside review. While flexibility significantly affected professional positions, faculty personnel decisions were not substantially affected by flexibility, except at the university and health science centers.

Impact on Faculty Recruitment

With one exception, campus officials reported flexibility had minimal impact on recruitment and promotion of faculty. Though promotions and position upgradings previously required DOB approval, campuses usually made these decisions in the spring providing sufficient time to obtain DOB approval before the autumn semester.

University and health science centers reported that flexibility helped alleviate the problem of meeting non-salary requirements of prospective faculty such as equipment purchases or the availability of other research assistance. Meeting these requirements can be critical in successfully recruiting high quality faculty members. Before flexibility, one campus told potential faculty that these types of requests might take longer to fulfill because of delays in budget transfer approvals. Under flexibility, officials at one campus were able to expeditiously consummate the necessary budget moves to provide the space and the necessary equipment to meet a new chairperson's research needs.

Impact on Reclassification

Before flexibility, campuses estimated that DOB approval of reclassification of professional positions took two to six months. Several campuses mentioned that DOB wanted to approve system wide changes on individual positions such as for admissions counselors, requiring campuses to coordinate their efforts. Two other campuses felt that DOB staff experienced difficulties in understanding their need for certain technical and scientific positions.

Before flexibility, the Governor's Office of Employee Relations contracted for a study to review the promotion, classification, and compensation of SUNY professional employees. This May 1986 study provided for in the 1982-85 contract between SUNY and the Professional Services

Negotiating Unit, found that professional employees perceived a lack of promotional opportunities. Since campuses heavily used local working titles rather than official SUNY titles, professional staff frequently were unaware of what constituted a promotion as well as eligibility requirements for promotional salary increases. The study also found that actual job components varied widely under a given official title. This was especially evident for the technical assistant and the technical specialist titles.

The study recommended that SUNY make job content and official titles consistent. To accomplish this, the study advised that more than four professional ranks should be established and a job title should be assigned to only one rank. The new or revised titles should be evaluated using a revised point factor system. The restructuring would result in a defined career path for professional staff.

In response, SUNY Central in the summer of 1986 formed a Management Advisory Committee on Classification and Compensation. The Committee recommended that the four grade professional structure be replaced with a six grade structure. Titles would be assigned to a single rank based upon a revised point factor system more sensitive to a position's duties and responsibilities. The report also recommended that decision making on salary increases and promotions for professional staff be completely assumed by the campuses. The reclassification process was to be implemented by campuses subject to appeals to SUNY Central. Thus, SUNY Central made the campuses the principal decision makers on reclassification.

Campus officials discussed how reclassification affected their professional staffs. Four campuses indicated that the technical assistant and technical specialist positions were most substantially revised under reclassification. For example, one campus had used the technical assistant title for physician assistants, but can now use a more appropriate title. Two campuses noted that funding to accomplish the full impact of reclassifications was limited.

Six campuses cited each employee's annual performance evaluation as the principal vehicle available to review classifications. Another campus uses reviews of vacancies to determine if reclassifications are needed. Campus personnel noted that departments must provide the same package of materials to gain approval of reclassification as was required prior to flexibility. This includes a full position description, an organization chart and a justification for the reclassification. The package, however, no longer has to be forwarded to DOB for approval.

Graduate Education and Research Initiative

The Graduate Education and Research Initiative (GRI) responded to the Independent Commission's concerns about the ranking of SUNY's doctoral programs among major universities. GRI was designed to upgrade the quality of SUNY's graduate, especially doctoral programs. Four principal goals were established:

1. To develop multidisciplinary academic centers of excellence capable of responding creatively to the needs of the State and its major regions;

2. To double the real-dollar volume of externally sponsored research over ten years;

3. To double the number of doctoral programs that rank in the top ten percent in the nation in their respective disciplines, and double the number rated among the top third; and

4. To increase substantially the enrollment of minorities, women and other groups currently underrepresented in graduate and professional programs.

This section reviews sample campuses' use of GRI funds and GRI's initial impact. This evaluation, however, must be viewed as limited at this time, tempered by the long range nature of the GRI objectives.

Campus Resources and Plans

From 1987-88 to 1989-90, SUNY has allocated $26.2 million in GRI funds. GRI has funded 564.5 full-time equivalent positions primarily for faculty (182.3 positions), direct support staff (102.6 positions) and organized research positions (216.9 positions). GRI was principally geared for university and health science centers which were allocated $24.8 million, 95 percent of all allocations; nondoctoral campuses were allocated $0.4 million for these three years while other specialized schools received the remaining $1.0 million.

Four university and health science centers -- Albany, Buffalo, and the Brooklyn and Syracuse Health Science Centers -- were contained in the LCER sample. Each campus established varying numbers of interdisciplinary centers to be supported through GRI. The highlights of the GRI experiences for those four campuses are reviewed followed by a discussion of sample nondoctoral campuses' use of GRI funds.

Albany. Albany recently created a School of Public Health in conjunction with the State Department of Health's Wadsworth Laboratories. Six GRI faculty lines were allocated for development of that school. GRI also was a major source of funds to aid Albany in upgrading its atmospheric science research facilities to attract federal research dollars for acid rain transport modeling.

Albany's GRI implementation was impaired by the reduction in anticipated funds for 1988-89 which limited the number of faculty hired. Nevertheless, having GRI allocated as a lump sum gave the campus flexibility in using the funds. In one case, Albany asked two departments to each search for a faculty member with the understanding that the best candidate would be hired for the one GRI line available.

Buffalo. GRI funds supported the development of the National Center for Earthquake Research at Buffalo. Buffalo received a five year $25 million National Science Foundation grant to support the Center while GRI funds were used for faculty and staff positions. GRI funds facilitated making commitments necessary to recruit a chemical engineering faculty member from the University of California. The campus also used GRI to extensively upgrade its computing facilities.

Some GRI funds were held to meet 1987-88 and 1988-89 campus savings goals. In 1987-88, some GRI underspending involved longer than anticipated periods to recruit faculty. Campus officials, however, cited GRI as a positive symbol for the school and for New York State. They believe that GRI enhanced the national image of New York's public higher education system.

Brooklyn HSC. GRI was designed to rectify some major problems in hiring faculty including department chairpersons and to enhance the quality of faculty research which had been criticized in a State Education Department review. GRI funds were linked to recruiting chairpersons for the basic science departments. Three major new laboratories were developed -- two with clinical practice funds and the third with GRI funds.

Similar to Buffalo, campus officials emphasized GRI's symbolism as a critical statement by SUNY and the Legislature on the importance of science. Being able to create positions out of a lump sum and subsequently annualizing these positions allowed the campus to implement GRI quickly.

Syracuse HSC. Syracuse HSC used GRI funds to expand the size and quality of existing programs. GRI funds reinforced campus strengths focusing on three functional areas -- cardiac function, immunology and neuroscience. Syracuse HSC made major neuroscience and cardiac function equipment purchases with GRI funds. Neuroscience equipment dollars were critical in attracting a department chairperson.

Nondoctoral Campuses. Nondoctoral campuses used their small GRI grants to fund visiting professorships and to support campus research. For example, Old Westbury and Geneseo supported visiting professorships while Brockport conducted grant writing workshops and paid travel costs for faculty meeting with organizations which were potential sources of grant monies.

Initial Impact of GRI

Three short term measures will be used to illuminate the impact of GRI:

--Enrollment of minority graduate students,
--External evaluations of GRI supported programs, and
--External research dollars.

Enrollment of Minority Graduate Students. Table 3 presents minority graduate enrollment from 1986-87 to 1988-89 awarded for the sample university and health science center campuses and all SUNY doctoral granting institutions. The four sample university and health science campuses experienced substantial enrollment increases since 1986-87 ranging from eight percent at Buffalo to 33 percent at Syracuse HSC. Albany officials cited efforts to recruit minority students for the sciences and the assignment of a staff person to recruit minority students. Brooklyn HSC staff noted implementing general stipend increases for graduate and post-doctoral students.

Table 3

Minority Graduate Headcount
SUNY System and Sample University and Health Science Centers

Center	1986-87	Percent of Total[a]	1987-88	Percent of Total	1988-89	Percent of Total	Percent Change
Albany	166	3.7	200	4.5	210	4.7	26.5
Buffalo	658	7.7	689	7.9	708	8.1	7.6
Brooklyn HSC	184	19.0	197	19.8	237	22.8	28.8
Syracuse HSC	81	12.0	98	14.0	108	15.4	33.3
SUNY[b]	1,807	7.7	1,877	7.9	2,005	8.3	11.0

[a]Percent of total graduate headcount.
[b]Includes SUNY doctoral granting institutions including the university and health science centers and specialized institutions for fall semesters of each year.

Source: SUNY, Office of Institutional Research and Planning, October 1989 graduate minority headcount and total graduate headcount.

Table 4

Research Expenditures
Sample Campuses and SUNY System
1986-87 to 1988-89

School	1986-87	1987-88	1988-89[a]	Percent Change[b]
University and Health Science Centers				
Albany	$ 24,966,305	$ 27,780,706	$ 31,793,872	27.3
Buffalo	35,432,197	48,877,056	55,518,717	56.7
Brooklyn HSC	11,438,413	12,237,695	14,247,764	24.6
Syracuse HSC	9,168,369	9,944,501	12,751,045	39.1
Other Campuses				
Brockport	$ 1,320,241	$ 1,790,086	$ 2,269,549	71.9
Geneseo	220,377	326,663	339,339	54.0
Old Westbury	960,910	1,344,678	1,447,747	50.7
Potsdam	1,077,058	1,059,389	1,203,667	11.8
Alfred	$ 425,931	$ 356,585	$ 304,187	(28.6)
Utica-Rome	228,769	662,916	1,176,400	414.2
SUNY System	$ 175,674,394	$ 206,299,864	$ 240,017,522	36.6

[a]Unaudited figures.
[b]Percent declines are in parentheses.

Source: SUNY Research Foundation, 1987 Annual Report, Schedules of Direct Expenditures for Research and other Sponsored Activities by Campus for 1986-87 figures and July 17, 1989 letter from SUNY Research Foundation staff for 1987-88 and 1988-89 figures.

For the SUNY system, minority graduate enrollment rose by 11 percent since 1986-87. Graduate fellowships to attract minority students increased from 110 in 1986-87 to 319 in 1988-89.

External Evaluations. With the recent vintage of GRI, only two sample university and health science center campuses -- Albany and Brooklyn HSC -- had conducted external evaluations which touched upon areas receiving GRI funds. These did not directly assess GRI's implementation, but evaluated program quality or critiqued new program development. These evaluations are generally quite positive about the quality of these GRI supported programs.

Albany provided nine external reports including four evaluations of proposed programs. Four of the five evaluations of ongoing programs were positive emphasizing the quality of the faculty and graduate students and the level of research productivity. The four assessments of proposed programs found that faculty strength and breadth were sufficient for program development. The most common weakness cited focused on the adequacy of available program support services such as laboratories, computers and supplies.

A March 1989 external evaluation assessed Brooklyn HSC's recruitment strategy to upgrade its basic science department. It indicated that the school's efforts were appropriately targeted to achieve goals to upgrade program quality.

External Research. The most useful short-term measure to assess GRI's impact is the level of external research dollars generated by SUNY campuses. Table 4 reveals that SUNY external research support grew by 37 percent from $175.7 million to $240.0 million from 1986-87 to 1988-89. This represents a cumulative increase of $95 million compared to $21.2 million in GRI allocations for 1987-88 and 1988-89. Nine of the ten sample campuses experienced increases in research dollars ranging from 12 percent at Potsdam to 414 percent at Utica-Rome. Alfred registered the only decline in research dollars (29 percent) over the period. Alfred officials indicated that research has not been a high faculty priority.

If SUNY maintains this growth rate for ten years, research dollars would rise to $837.2 million in 1996-97. That amount is more than required for SUNY to double its real dollar research level in ten years assuming a nine percent annual inflation rate ($831.8 million). SUNY will likely meet the GRI research dollar goal if current trends continue.

GRI funds played an important role in the growth in research dollars. The role of GRI funding to generate additional research dollars was particularly emphasized by Buffalo staff. GRI funds have not routinely been considered part of the Buffalo base budget unless a conscious decision was made to that end. Refraining from permanent commitments with GRI funds allowed Buffalo to reallocate funds to other projects. Two of the nondoctoral campuses, Geneseo and Brockport, used GRI and SUNY Research Foundation funds to encourage faculty to submit grants through employment of grant writers, the development of a grant writing workshop and a faculty development program.

Chapter Summary

- Flexibility had little direct impact on faculty recruitment. However, flexibility did enable the sample university and health science centers to fulfilling non-salary commitments for prospective faculty.

- Sample campuses reported that the technical assistant and the technical specialist positions were those most significantly affected by reclassification of professional positions under flexibility.

● SUNY has made some progress toward realizing GRI goals since the 1987-88 program inception:

1. SUNY minority graduate enrollments rose by 11 percent from 1986-87 to 1988-89.

2. The few external evaluations available on GRI supported programs were positive about the quality of faculty, graduate students and the level of research.

3. SUNY external research dollars rose from $175.7 million in 1986-87 to $240.0 million in 1988-89, an increase of 37 percent. Nine of ten sample campuses increased their research dollars. If external research funding continues to grow at the current rate, SUNY will meet the GRI goal of doubling its real dollar research in ten years assuming an average annual inflation rate of nine percent or lower.

IV PURCHASING

Beginning on a trial basis during 1984-85 and made permanent under flexibility, SUNY campuses have much greater latitude than other State agencies to make their own purchases and to execute contracts without outside review. This chapter assesses sample campuses implementation of purchasing flexibility by reviewing:

--Purchasing policies,

--Use of Office of General Services (OGS) for purchases,

--Compliance with SUNY purchasing regulations,

--Timing and competition of two samples of 1987-88 purchases, and

--Purchasing records from State preferred sources and minority and women owned business enterprises.

The expected impact of the Procurement Opportunities Newsletter which took effect on July 1, 1989 on campus purchasing operations is also considered.

The impetus for purchasing flexibility came from campus complaints that prior to flexibility OGS processed purchases in an untimely manner. Purchasing staff at sample campuses estimated that OGS purchases took from one to two months to a year to process prior to flexibility. Four sample campuses indicated that delays in OGS processing occurred primarily during preparation of specifications. Flexibility's impact can be assessed by determining whether campuses have made more expeditious purchases in compliance with purchasing regulations.

Campus Purchasing Policies

SUNY purchasing regulations under flexibility were promulgated in September 1986. A few sample campuses also developed their own purchasing guidelines.

Under flexibility, campuses may purchase an item from an OGS term contract, have OGS purchase items not available on term contracts, or acquire a commodity directly from a vendor. A term contract is an OGS-vendor agreement to sell commodities to some or all State agencies (and sometimes other governmental and nonprofit organizations) for a specified period and for set prices. These term contracts include many bulk food and maintenance items as well as scientific and technical items geared to specific agency needs. Other State agencies must channel most individual purchases above $5,000 through OGS.

SUNY regulations require campuses to adhere to the following conditions when purchasing directly from a vendor:

Purchases up to $2,500: No competitive bidding is required, but campuses must assure that prices are reasonable.

Purchases up to $5,000 from minority and women owned business enterprises: Campuses may purchase directly from a responsible minority or women-owned business without soliciting competition, with assurance that the prices are reasonable.

Purchases between $2,500 and $10,000: Schools must solicit a minimum of three bids from responsible vendors. These may be formal, written or telephone bids.

Purchases between $10,000 and $20,000: Campuses must solicit a minimum of five sealed bids. Where solicitation of bids is not practical, the campus president or designee must agree to allow five written quotes as a substitute.

Purchases over $20,000: Schools must submit a package to OGS for consultation on the purchase of the item prior to the solicitation of bids. A minimum of five sealed bids or five written quotes with the president or designee's approval must be solicited. The purchase request is submitted to the Office of the State Comptroller (OSC) for final approval.

Where competition is not feasible because of the sole source nature of a commodity, the campus must be able to justify and document the selection of the vendor and establish the reasonableness of the price. SUNY purchasing regulations require that fewer bids be obtained and permit more informality in the types of bids received than do OGS regulations governing purchases by other State agencies.

Staffing

Despite the increased responsibility for processing purchases above $5,000, staffing for the purchasing departments of the sample campuses have changed little under flexibility. Several mechanisms were used to help the departments adjust to their additional responsibilities. On-the-job training and experience have enabled purchasing staffs to cope with their increased responsibilities. In addition, the SUNY Purchasing Agents Association ran seminars on purchasing flexibility and larger campuses developed computerized systems and/or professional development training to improve staff capabilities. Also, purchasing departments rely heavily on academic departments for suggested specifications and possible vendors for scientific or technical items.

SUNY Use of OGS for Purchases

Term Contracts. Sample campuses reported utilizing OGS term contracts whenever possible. Table 5 reveals that sample campuses used an average of 330 contracts during 1987-88 ranging from a low of 159 (Utica-Rome) to a high of 606 (Brooklyn HSC). These figures represent 40 percent of the 830 term contracts available. Total term contract expenditures grew from $26.8 million in 1983-84 to $28.6 million in 1987-88 for the sample campuses as shown in Table 6. Though the percentage of purchasing for supplies and equipment done through the term contracts by sample campuses dropped from 43 percent to 35 percent from 1983-84 to 1987-88, term contract items still represent a major volume of campus purchases.

Most campuses were pleased with the quality of term contract items. Some campuses chose not to purchase from the term contract for various items including computer products, medicines and medical products, and certain office products. Campuses cited concerns about quality, price or delivery time as reasons for not using the term contract.

Purchase Requisitions. SUNY used OGS for very few purchases outside the term contracts. In 1987-88, OGS made only 75 purchases for all SUNY campuses based on individual purchase requisitions. These primarily involved very technical or uncommon items, especially medical supplies or equipment where a campus did not have the expertise necessary to develop specifications for the purchase.

Table 5

Number of Term Contracts Used
Sample SUNY Campuses
1987-88

University and Health Science Centers	Number of Term Contracts
Albany	431
Buffalo	401
Brooklyn HSC	606
Syracuse HSC	464
Other Campuses	
Brockport	302
Geneseo	308
Old Westbury	195
Potsdam	221
Alfred	216
Utica-Rome	159
Average for Sample	331

Source: SUNY, Office of the University Controller, Term Contract Purchasing Report, April 20, 1989.

Campus Purchasing Records

Regulatory Compliance

LCER staff tested campus compliance with the following SUNY regulations:

--The minimum number of bids solicited,

--Awards made to other than lowest bidders,

--Documentation of sole source purchases, and

--SUNY consultation with OGS on purchases above $20,000.

Bid Solicitations and Awards. Campuses generally complied with the minimum requirements of soliciting three vendors for purchases below $10,000 and five vendors for purchases above $10,000. Five percent of the university and health science center sample and three percent of the

other campuses sample failed to meet these requirements. The average number of vendors solicited exceeded the minimum requirements especially for purchases above $20,000 as shown:

Average Number of Vendors Solicited

Value of Purchase	University and Health Science Centers	Other Campuses
Less than $10,000	4.7	6.6
$10,000 to $20,000	6.1	7.3
$20,000 and higher	10.3	11.8

Campuses usually awarded contracts to the lowest bidder as competitive bidding requires. In the 20 cases where the lowest bidder did not receive the award, campuses made the award to another vendor primarily because the lowest bidder did not meet the specifications. LCER staff found documentation to justify these awards.

Table 6

Term Contracts Share of Supplies and Equipment Expenditures
Sample SUNY Campuses
1983-84 to 1987-88

Year	OGS Term Contracts	Supplies and Equipment Expenditures	Percentage
1983-84	$ 26,787,762	$ 63,028,191	42.5
1984-85	31,491,081	70,252,425	44.8
1985-86	30,778,570	68,077,381	45.2
1986-87	25,625,734	73,820,747	34.7
1987-88	28,646,068	83,003,874	34.5

Source: SUNY, University Budget Office: Expenditure Report, Run Date April 19, 1989 and SUNY Office of the University Controller, SUNY vendor system, P-activity for flexibility.

Sole Source Documentation. As Table 7 indicates, 51 percent of the university and health science centers sample requisitions and 40 percent for the other campuses' purchase orders were sole source. For the university and health science centers, the most frequent types of sole source purchases were medical equipment (27 percent), drugs (22 percent) and computer equipment (13 percent). Among the other campuses, periodical subscriptions (31 percent) and computer equipment (31 percent) constituted about three-fifths of all sole source purchases.

Table 7

Nature of Awards
Sample SUNY Campuses
1987-88

Type of Award	University and Health Science Centers Number	Percent	Other Campuses Number	Percent
Sole Source	113	51.1	48	40.0
Written Quotes	23	10.4	8	6.7
Telephone Quotes	31	14.0	3	2.5
Formal Bids	53	24.0	61	50.8
Other	1	0.5	--	--
Total	221	100.0	120	100.0

Source: LCER review of sample campus purchase orders, May and June 1989.

Campuses must provide a written justification for a sole source purchase. Campuses provided written justifications for almost all (97 percent) of these purchases. Because of the technical nature of the purchases, LCER staff could not evaluate if the campuses comprehensively assessed alternative vendor sources for many of these purchases.

OSC June 1989 guidelines for implementation of the Procurement Opportunities Newsletter differentiated between a sole source and a single source purchase. A sole source purchase should occur when only one contractor can supply the goods or perform the services. Single source is when "two or more contractors can supply the goods or perform the services, but the State agency selects one over the others for reasons such as expertise, previous experience with similar contracts, etc."

Table 8 presents the reasons given for the sole source purchases. The most common reason cited in both samples was having only one vendor able to provide a commodity amounting to 38 percent of the university and health science centers and 45 percent of the other campuses sole source purchases. About one-sixth of the university and health science centers sample justifications involved group purchases from a hospital consortia authorized under a 1983 statute. Also frequently cited was compatibility with existing equipment principally medical and computer purchases -- 12 percent of university and health science center and nine percent of other campus justifications. Given the statutory exemption for medical group purchases, these justifications seem consistent with OSC's sole source guidelines.

Three other justifications used for sole source purchases -- discount from State term contract, convenience and ease, and quality of product -- meet OSC's sole source guidelines less readily. The term contract discount cited in about one-fifth of the other campuses' justifications refers to purchases made because the campus received an educational discount making the price cheaper than the term contract. Campuses used the convenience and ease rationale frequently to justify bulk orders of periodical subscriptions from companies with which they had frequent dealings. Quality of product was cited for eight percent of university and health science center sole source transactions. In these cases alternative vendors may have existed, but were not solicited. This is inconsistent with OSC's sole source guidelines.

OGS Consultation. For purchases equal to or greater than $20,000, campuses must consult with OGS before bidding out an item. LCER staff examined whether documentation of the OGS consultation process was filed in campus records. There were 43 purchases over $20,000 for both samples. For both samples, campuses consulted with OGS as required in approximately 90 percent of the cases. OGS had no comments for three-fifths of the consultations in both samples.

Timing and Competition

Competition. As previously mentioned, sole source purchases were the most frequent award type for the university and health science center sample (51 percent) while formal or sealed bids comprised 24 percent of their purchases (Table 7). Among the other campuses, 40 percent of the purchases were sole source while 51 percent were done by formal bids. The remainder were principally written quotes or telephone bids.

Campus officials explained their approaches to soliciting competition. Telephone quotations were generally reserved for goods under $2,500. Two sample campuses, however, did not use telephone quotes because of concerns about the accuracy of those quotes. On items priced between $2,500 and $10,000, five of the campuses usually obtained written quotes, while three primarily used sealed bids. Campuses reported few exceptions to obtaining sealed bids for purchases above $10,000.

Table 8

Justifications for Sole Source Purchases
Sample Campuses

Reason	University and Health Science Centers		Other Campuses	
	Number	Percent	Number	Percent
Only Vendor selling commodity	41	38.3	21	44.7
Compatible with existing equipment	13	12.1	4	8.5
Unique features of product	13	12.1	3	6.4
Quality of product	9	8.4	--	--
Convenience and ease	6	5.6	6	12.8
Emergency purchase	5	4.7	2	4.3
Medical group contract	17	15.9	--	--
Beat State contract price	1	0.9	9	19.1
Miscellaneous	2	1.9	2	4.3
Total	107	99.9	47	100.1

Source: LCER review of sample campus purchase orders, May and June 1989.

Campuses have sought to increase competition by expanding their mailing lists. Sources for additional bids included local vendors, suggestions from academic departments, the Thomas Register (a listing of manufacturers), the SUNY vendor system and trade fairs and shows. Some campuses also obtained vendor names from OGS.

Timing. Table 9 presents the average processing time for the two samples by type of award. Processing times were measured from the day a purchase request was received in a purchasing department to the day when the purchase order was printed. For both samples, formal bidding took the longest amount of time. Overall, purchases were processed in 43 days for the university and health science center sample and 42 days for the other campuses sample. Prior to flexibility, SUNY estimated that purchases processed through OGS took four to six months. Thus processing times have dropped significantly since flexibility.

Table 9

Timing of Purchases
Sample Campuses
Average Number of Days

Type of Award	University and Health Science Centers		Other Campuses	
Sole Source	34	(110)	20	(46)*
Written Quotes	49	(23)	41	(7)
Telephone Quotes	28	(31)	25	(3)
Formal Bids	70	(49)	61	(56)
Other	50	(1)	--	--
Average	43	(214)	42	(112)

*Number of cases upon which averages are based.

Source: LCER review of sample campus purchase orders, May and June 1989.

University and health science centers averaged 70 days to process formal bids compared to 61 days for the other campuses. For the university and health science center sample, telephone quotes took the least amount of time (28 days) while sole source purchases (20 days) were the most expeditiously processed for the other campuses.

Impact of Flexibility on OGS. To assess flexibility's impact on OGS, LCER staff reviewed documentation of the timing of OGS individual purchase requisitions processed for all State agencies during 1987-88. OGS average processing times were 3.5 months for formal bids and 2.5 months for written quotes. This is a significant improvement upon the above preflexibility processing estimates.

A drop in OGS individual item contract awards from 3,320 in 1983-84 to 1,880 in 1987-88 probably contributed to this improvement. This drop can be attributed partly to three factors. SUNY campuses now infrequently use OGS to process individual requisitions. OGS also had negotiated memoranda of understanding with three agencies allowing them to process most

purchases above $5,000. Finally, OGS has increased the number of term contracts available (from 730 in 1983-84 to 830 in 1987-88). Many items that would have been handled by OGS as an individual requisition can now be handled by direct agency purchase through a term contract. These two last factors required additional contract negotiations work by OGS staff.

OGS and SUNY 1987-88 processing times are not fully comparable for several reasons. Unlike SUNY, OGS individual agency purchases valued between $5,000 and $20,000 require OSC preapproval. Also, academic departments on SUNY campuses are a major source of information on item specifications reducing the work of the purchasing departments. Much of the specifications preparation for OGS is done after the agency receives the purchase request not before.

State Preferred Source Sales

Under flexibility, SUNY is no longer required to purchase from State preferred sources which include the Division of Correctional Industries of the State Department of Correctional Services (Corcraft), Industries for the Blind of New York State, Inc., and New York State Industries for the Handicapped, Inc. SUNY regulations, however, still encourage campuses to purchase from preferred sources:

> Every effort should be made to purchase from preferred sources...where the costs, quality and delivery terms meet the needs of the campus.

Tables 10 and 11 delineate orders from preferred sources for SUNY and the sample campuses for 1983-84 and 1987-88. Most sample campuses had small dollar purchases from preferred sources both before and after flexibility. Preferred sources are generally utilized for small ticket items such as maintenance and office supplies.

Table 10

Orders for Preferred Sources
Blind and Handicapped
Sample Campuses and SUNY System

University and Health Science Centers	Handicapped			Blind		
	1983-84	1987-88	Change	1983-84	1987-88	Change*
Albany	$ 1,549	$ 17,208	$ 15,659	$ 8,524	$ 19,036	$ 10,512
Buffalo	--	1,051	1,051	--	18,790	18,790
Brooklyn HSC	5,508	18,543	13,035	8,380	18,715	10,335
Syracuse HSC	4,474	15,230	10,756	17,167	242	(16,925)
Other Campuses						
Brockport	2,529	4,795	2,266	174	5,609	5,435
Geneseo	330	14,336	14,006	602	4,788	4,186
Old Westbury	--	2,754	2,754	724	3,891	3,167
Potsdam	84	1,183	1,099	483	3,154	2,671
Utica-Rome	1,550	3,133	1,583	--	917	917
Alfred	107	3,213	3,106	862	2,552	1,690
SUNY System	$ 25,602	$ 173,041	$ 147,439	$ 46,624	$ 162,877	$ 117,253

*Change in dollar value of orders; declines are in parentheses.

Source: SUNY Office of the University Controller, March 1989.

Table 10 shows an overall sales increase of 257 percent for the Industries for the Blind and a 6[illegible] percent growth for the Industries for the Handicapped. Total 1987-88 purchases amounted to $162,877 for the Industries for the Blind and $173,041 for the Industries for the Handicapped. All but one sample campus increased sales for both preferred sources over the period.

Corcraft experienced a 51 percent drop in sales since 1983-84 including declines at six sample campuses (Table 11). Officials at all sample campuses expressed some disappointment with Corcraft delivery times. Two campuses also complained about problems with the performance of Corcraft service representatives.

Table 11

Orders for Correctional Industries
Sample Campuses and SUNY System

University and Health Science Centers	1984[a]	1988	Change[b]
Albany	$ 74,667	$ 96,514	$ 21,847
Buffalo	229,237	9,188	(220,049)
Brooklyn HSC	168,565	18,850	(149,715)
Syracuse HSC	24,818	17,099	(7,719)
Other Campuses			
Brockport	23,745	23,598	(147)
Geneseo	3,372	11,134	7,762
Old Westbury	17,685	20,010	2,325
Potsdam	14,772	7,250	(7,522)
Alfred	4,070	2,874	(1,196)
Utica-Rome	833	25,048	24,215
SUNY System	$ 1,018,944	$ 503,560	$ (515,384)

[a]Figures are for calendar years.
[b]Change in dollar value of orders; declines are in parentheses.

Source: State Department of Correctional Services, Correctional Industries, April 1989.

Minority and Women Owned Business Enterprises

Executive Order 21 of 1983, which was codified in 1988 as Article 15-A of the Executive Law, established a program to promote equal opportunity in State purchasing and created an executive office to oversee the program. The Executive Order sought to promote agency purchases from minority and women owned businesses.

In response to this initiative, SUNY established an Office of Contracts and Purchasing in September 1986 to coordinate the minority and women owned business enterprises (MWBE) program. It is responsible for "the development, coordination, implementation, evaluation and compliance functions of this statewide initiative." SUNY has encouraged MWBE sales through regulations which allow campuses to make purchases up to $5,000 from MWBE vendors without soliciting competition and through promulgated sales goals for each campus.

MWBE vendors must go through a certification process by the Office of Minority and Women's Business Development to be considered for MWBE status. The certification process assures that the business is at least 51 percent owned by a minority person(s) or a woman or women and that the vendor's business practices are reputable. The certification process is complex and time consuming. SUNY Central officials stated that the cumbersome process has discouraged some vendors from applying for certification.

Table 12 reveals that eight of the 10 sample campuses increased their MWBE purchases from 1986-87 to 1988-89 from both certified and non-certified vendors. The increases ranged from 19 percent at Albany to 431 percent at the Brooklyn HSC. The SUNY system increased sales by 127 percent over the period. The data combines both non-certified and certified MWBE vendors because of the certification problems reported by campuses. Potsdam and Syracuse HSC were the two campuses where MWBE sales dropped over that period. Potsdam officials indicated that they have not solicited non-certified vendors over the past two years while Syracuse staff attributed the decline to difficulties in finding those vendors in central New York State. Certified vendors constituted 46 percent of 1988-89 SUNY MWBE purchases. Among the sample campuses, certified vendor purchases ranged from a low of 29 percent at Albany and Geneseo to a high of 61 percent at Old Westbury and Utica-Rome. According to SUNY Central, most MWBE purchases are under $5,000, so-called discretionary purchases for which campuses are not required to solicit competition.

MWBE sales increases can be partially attributed to campus initiatives such as holding a conference to encourage certification, participating in local minority business councils, holding minority trade fairs, and issuing a presidential directive to substitute MWBE vendors when quality and price are comparable.

Some campus officials noted the limited number of MWBE vendors in their localities as well as the possible conflict between State policies encouraging preferred source and MWBE purchases. Geneseo and Utica-Rome indicated difficulties finding MWBE vendors in their local area. Also, officials at one campus pointed out that many goods marketed by MWBE vendors such as office products are also sold by preferred source vendors. Campuses thus may be subject to a potential conflict between purchasing from MWBE and preferred source vendors.

SUNY Central's monthly reports on campus sales to MWBE vendors may add to the potential conflict. Responding to concerns from a preferred source vendor, SUNY Central's MWBE office advised campuses not to ignore the preferred source mandate in pursuit of MWBE sales goals. Thus, the campuses are presented with conflicting State policies.

Procurement Opportunities Newsletter

Chapter 564 of the Laws of 1988 established the Procurement Opportunities Newsletter which may have far reaching effects on SUNY purchasing practices. The newsletter, called the New York State Contract Reporter is intended to "provide ...centralized public notice of state agency... intentions to contract for goods and services in amounts of $5,000 or more." For SUNY, that amount is $10,000 or more.

Table 12

Sales to MWBE Vendors
Sample Campuses and SUNY System

University and Health Science Centers	1986-87	1987-88	1988-89	Percent Change*
Albany	$ 383,976	$ 489,966	$ 563,239	47
Buffalo	489,215	749,571	1,080,194	121
Brooklyn HSC	435,101	1,412,535	2,312,378	431
Syracuse HSC	405,425	264,264	216,259	(47)
Other Campuses				
Brockport	80,740	186,674	227,565	182
Geneseo	71,917	163,511	216,613	201
Old Westbury	25,522	37,645	110,019	331
Potsdam	84,314	129,679	65,658	(22)
Alfred	42,543	64,466	71,567	68
Utica-Rome	34,579	64,741	100,570	191
SUNY System	$ 4,195,868	$ 6,721,586	$ 9,522,195	127

*Percent declines are in parentheses.

Source: SUNY Office of the University Controller, Vendor System Ranking Report, May 1989.

The newsletter must be published each week and a minimum of 15 business days must elapse between publication of the notice and the "date on which a bid or proposal is due." A SUNY purchasing department thus must now publicize intent to purchase items valued $20,000 or more at least 15 business days before they want to receive bids. Vendors may also request to be placed on a school's bidder list on the SUNY vendor system for a particular commodity. For purchases between $10,000 and $20,000, campuses may either publish notification in the newsletter or solicit bids from all vendors on the appropriate commodity list.

SUNY purchasing officers expect the legislation will require additional planning and clerical work to implement. They anticipate that the new legislation also may result in processing delays.

Emergency purchases and preferred source contracts are not subject to the newsletter notice requirements. Whether sole source purchases are also exempt has been a source of controversy. SUNY contends that a sole source exemption is essential given the scientific and technical nature of many university purchases. SUNY Central and OSC staff differ on this issue. As a result of these discussions, OSC guidelines do not allow for sole source exemptions but OSC staff indicated that such exemptions will be granted on a case by case basis. Given SUNY's heavy use of sole source purchases, OSC review of all SUNY sole source purchases may lead to substantial conflicts on the appropriate use of sole source.

It is too soon to determine the impact of the newsletter legislation on SUNY purchasing departments. The legislation is intended to promote increased competition for major State purchases. Whether such increased competition results and/or any benefits are offset by increased administrative costs and longer purchase processing times remains to be determined.

Chapter Summary

- Although SUNY sample campus purchasing departments were given increased responsibilities under flexibility, staffing has not grown significantly to meet those responsibilities.

- Sample campuses reported using OGS term contracts whenever possible. Term contracts constituted 35 percent of 1987-88 supplies and equipment expenditures. SUNY campuses rarely used OGS to purchase individual items.

- Sample campuses largely complied with purchasing regulations relative to the number of bids solicited, justifications for awards made to other than the lowest bidder and consultation with OGS for purchases valued $20,000 or more.

- Sole source purchases amounted to 51 percent of the university and health centers sample and 40 percent of the other campuses sample.

- Justifications for using sole source were documented in almost all cases. However, justifications such as for convenience and ease, discount from State term contract and for quality of product are inconsistent with OSC's sole source guidelines.

- Prior to flexibility, SUNY Central estimated that OGS purchases took four to six months to process. Processing times for the two LCER samples of SUNY purchases in 1987-88 averaged slightly under one and one-half months.

- OGS 1987-88 processing of individual state agency requisitions averaged 3.5 months for formal bids and 2.5 months for written quotes. A decreased OGS workload stemming from several factors contributed to the improved processing times.

- SUNY orders for the Industries for the Blind (257 percent) and the Industries for the Handicapped (576 percent) preferred sources have grown substantially since flexibility. Sales from Correctional Industries dropped by 51 percent due to concerns about delivery times and the quality of customer service.

- SUNY Central established MWBE sales goals for each campus. Eight of ten sample campuses registered increased MWBE sales from 1986-87 to 1988-89.

- The Procurement Opportunities Newsletter intends to promote greater competition for New York State purchasing. Sample SUNY campuses anticipate that the newsletter notification requirements may slow down its processing of purchase orders. OSC and SUNY campuses may end up in conflict over the appropriateness of individual sole source purchases.

Appendix A

Field Work Sample Design

Campus Selection Design

LCER staff stratified the thirty-one campuses into four categories -- university and health science centers, university colleges, agricultural and technical colleges, and specialized and statutory colleges -- using delineations adopted by SUNY Central. Table A-1 presents the proportion of 1987-88 actual full time equivalent (FTE) students and total expenditures for each of these four types of campuses. These two measures were averaged to reflect fiscal and programmatic concerns under flexibility. Based upon the proportions, Table A-2 presents the ten campuses randomly selected from within the four strata -- four from the university and health science centers, four from the university colleges, and one each from the agricultural and technology schools and the specialized and statutory colleges. Empire State College was excluded from selection within the university college strata because of the uniqueness of its extended learning programs outside a campus setting. Cobleskill was used as a test campus for LCER's field work.

Table A-1

SUNY Campuses
Selected Measures
1987-88

	Expenditures Percent	FTE Students Percent	Average Percent	Number Sampled
University and Health Science Centers	49.0	39.3	44.2	4
University Colleges	28.8	41.7	35.3	4
Technology and Agriculture Schools	8.6	12.5	10.6	1
Specialized and Contract Schools	13.5	6.5	10.0	1
Total	99.9	100.0	100.1	10

Source: LCER analysis of SUNY Central data, December 1988 and February 1989.

The campuses sampled cover an array of schools geographically dispersed around the State. The sample allowed LCER staff to examine the varied aspects of flexibility from research centers such as Albany and Buffalo to smaller schools such as Alfred and Utica-Rome.

Table A-2

LCER Sample Campuses
Selected Measures
1987-88

	Expenditures		FTE Students	
	Amount	Percent*	Number	Percent*
University and Health Science Centers				
Albany	$ 87,095,604	7.2	13,475	8.3
Buffalo	193,302,361	16.1	20,390	12.6
Brooklyn HSC	53,151,694	4.4	1,525	0.9
Syracuse HSC	33,981,773	2.8	951	0.6
University Colleges				
Potsdam	22,702,978	1.9	3,915	2.4
Old Westbury	16,410,914	1.4	2,978	1.8
Brockport	35,678,463	3.0	5,852	3.6
Geneseo	23,564,782	2.0	5,028	3.1
Technology and Agriculture Schools				
Alfred	19,007,598	1.6	3,542	2.2
Specialized and Contract Schools				
Utica/Rome	12,356,475	1.0	1,702	1.1

*Percent of total campus full time equivalent (FTE) students and expenditures for all thirty-one schools.

Source: LCER analysis of data from SUNY Central, December 1988 and February 1989.

Purchasing Transactions Samples

Under purchasing flexibility, SUNY campuses, unlike other State agencies, are not subject to Office of General Services (OGS) oversight for purchases of $5,000 or greater except that SUNY must consult with OGS for purchases of $20,000 or more. To assess the full impact of purchasing flexibility, LCER staff reviewed two samples of purchasing orders for supplies, materials and equipment valued $5,000 or more during the 1987-88 State fiscal year. OGS term contract purchases were excluded from the sample.

Because the university and health science centers would constitute over 85 percent of the purchase orders if a single sample was chosen, two samples were drawn -- one for the university and health science centers and the other for the remaining six schools in the sample as delineated in Table A-3. Transactions were randomly selected for each sample proportionate to each school's share of the total number of transactions. Transactions below $20,000 and those valued at $20,000 or more were randomly selected separately proportionate to their share in each school's purchase orders. Each sample is statistically significant at the 90 percent confidence level with a plus or minus five percent error.

Table A-3

SUNY Purchase Samples
Transactions Above $5,000
1987-88*

University and Health Science Centers

		Percent of Total			Number Sampled	
Campus	Total	Below $20,000	$20,000 or Greater	Total	Below $20,000	$20,000 or Greater
Albany	113	82.3	17.7	21	17	4
Buffalo	299	80.3	19.7	56	45	11
Brooklyn HSC	385	81.6	18.4	73	60	13
Syracuse HSC	375	88.5	11.5	71	63	8
Total	1172	83.5	16.5	221	185	36

University Colleges and Other Schools

		Percent of Total			Number Sampled	
Campus	Total	Below $20,000	$20,000 or Greater	Total	Below $20,000	$20,000 or Greater
Brockport	55	96.4	3.6	32	31	1
Geneseo	41	90.2	9.8	24	22	2
Old Westbury	21	71.4	28.6	12	9	3
Potsdam	46	89.1	10.9	26	24	2
Alfred	20	95.0	5.0	11	10	1
Utica-Rome	26	88.5	11.5	15	13	2
Total	209	90.9	10.0	120	109	11

*Includes only materials, supplies and equipment transactions other than for OGS Term Contracts.

Source: LCER analysis of purchase control rosters submitted by SUNY Central, March 1989.

APPENDIX B

AGENCY RESPONSES

State University of New York

Office of General Services

Asterisks indicate where revisions have been made in the audit as the result of these responses.

State University of New York
State University Plaza
Albany, New York 12246
Office of the Senior Vice Chancellor
Division of Administrative Affairs

November 27, 1989

Mr. James J. Haag
Acting Director
State of New York
Legislative Commission on Expenditure Review
111 Washington Avenue
Albany, New York 12210

Dear Mr. Haag:

In accordance with you letter of October 27, 1989, we are enclosing our comments regarding your preliminary program audit entitled "SUNY Management Flexibility Program".

We appreciate the courteous and constructive manner in which this review has been conducted and having the opportunity to respond to the preliminary report.

Sincerely,

Harry K. Spindler
Senior Vice Chancellor
Division of Administrative Affairs

Enc.

cc: Chancellor Johnstone
Mr. Wolfe/Division of the Budget

The State University of New York (SUNY) appreciates the opportunity to have had the Legislative Commission on Expenditure Review (LCER) staff review in detail and comment on the University's Management Flexibility Program. SUNY is pleased with the LCER's conclusion summarized on Page S-1 that SUNY Central and the campuses have made strides in using the flexibility available to improve fiscal and programmatic operations.

Below are the University's formal responses to specific findings and recommendations contained on Pages S- 7 and S- 8 of the report.

1. The Master Plan process is established pursuant to the Education Law and the process and timetable, etc. are established by the Education Department and the Board of Regents. SUNY is one of three participants, the others being CUNY and the independent sector of higher education. SUNY will make every effort to see that SUNY 2000 is utilized as much as possible in the development of the 1992 Master Plan.

2. We are pleased that this audit finding concludes that SUNY Central Administration and the sample campuses have used flexibility to meet fiscal and program goals.

3. As noted, SUNY Central Administration has recently included more complete narratives in submitting bi-monthly reports to the Governor and Legislature. SUNY Central will make efforts to describe as accurately and completely as possible descriptions of fiscal status which are required in the bi-monthly report submissions.

5. Pursuant to recent discussions with LCER staff it is our understanding that finding #5 and the related discussions on doubling minority graduate enrollment will not be included in the final report.

6. It was hoped that SUNY purchasing and contracting flexibility might reduce duplicative review workloads and decrease the time it takes to procure goods and services. Based upon the audit data, this goal appears to have been achieved.

7. It was anticipated that SUNY campus and central staff would be able to reduce the time required to accomplish major purchases and the audit concludes that procurement times have been reduced significantly.

8. Recommendation no. 1. Sole source review and approval procedures have been discussed with staff of the Office of the State Comptroller (OSC).

   Recommendation no. 2. SUNY Central Administration issued updated purchasing and contracting procedures on October 16, 1989 after reviewing these procedures with OSC staff. These updated procedures clarify procedures for sole source purchases in excess of $10,000.

9. SUNY has established interim goals to aggressively increase purchases from minority and women owned business enterprises (MWBE). SUNY has established a 5% goal for minority owned business enterprises (MBE) and a 2.5% goal for women owned business enterprises (WBE) or a combined goal of 7.5% by March 31, 1990. As of October, 1989 SUNY has attained a combined utilization for (MWBE) of 7.05%.

   SUNY will continue to encourage purchases from other preferred sources wherever feasible.

MARIO M. CUOMO
GOVERNOR

STATE OF NEW YORK
EXECUTIVE DEPARTMENT
OFFICE OF GENERAL SERVICES
MAYOR ERASTUS CORNING 2ND TOWER
THE GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA
ALBANY, N.Y. 12242

JOHN F. HUDACS
COMMISSIONER

November 29, 1989

Mr. James J. Haag
Acting Director
State of New York Legislative Commission
on Expenditure Review
111 Washington Avenue
Albany, New York 12210-2277

Dear Mr. Haag:

As requested in your letter of October 27, 1989, the Office of General Services has reviewed your preliminary draft audit report on the "SUNY Management Flexibility Program". The sections of the report which deal with purchasing are the most pertinent to OGS and our review and comments are directed to the purchasing area.

We would like to preface our detailed comments (Attachment A) with observations regarding the audit scope, as described in preliminary audit documents. Specifically, we wish to note that in our opinion the audit did not address several issues which we perceive as critical, as follows:

- The report did not attempt to measure the impact the implementation of procurement flexibility had on the cost of goods contracted for. In our opinion, an important gauge of the value of flexibility is whether there was measurable cost savings.

- The section titled Impact of Flexibility on OGS failed to address the impact of our agency's ability to establish cost effective contracts on behalf of all State agencies. We refer specifically to the impact that flexibility provided to each campus to independently elect to participate or not in OGS contracts. This impact takes on particular significance in the medical equipment and supplies commodity areas inasmuch as the SUNY Health Science Centers have historically been

responsible for the majority of the purchases from these contracts. Serious disruption in such contracts can and has resulted from the opportunity flexibility provides to unsuccessful bidders, after the State contract price has been published, to offer one of the large SUNY campuses (thereby ignoring the smaller state accounts) a price slightly lower than the State contract price (even when such company submitted a higher bid to OGS). In this type of situation, the non-contractor can end up with the most lucrative State accounts, leaving the State contractor with the less profitable business. Thus, the non-contractor may enjoy a greater and more profitable share of the State's business than the contractor. It may be more profitable for a company not to win the State contract. Thus, the potential result could be a serious erosion in competition for, and ultimately the cost saving value of, State commodity contracts for large as well as small agency participants.

We would be happy to meet with you to further discuss our general comments provided above and our detailed comments from the attachment. We appreciate having been provided the opportunity to review and comment on the draft report.

Sincerely,

John F. Hudacs

Attachment

ATTACHMENT A
Detailed Comments
LCER - SUNY Flexibility Audit

Processing Time (page S-5)

The draft report states on page S-5 that "prior to flexibility, SUNY estimated OGS purchases took four to six months to consummate." The report further states that LCER's samples showed that SUNY "took 1.4 months to process purchases with formal bids consuming the most time ..."

The preflexibility period predates the OGS procurement record system. As a result, we do not have the statistics necessary to verify specific processing time frames. However, it is important to recognize that the 1987-88 processing times of 1.4 months quoted for SUNY included sole source processing and telephone quotes. Inasmuch as formal bid openings are not utilized for either of these types of procurements, it is to be expected that the overall processing times listing for SUNY would be dramatically lower than those shown for OGS. OGS makes very limited use of sole source contracts, prepares detailed competitive specifications, must utilize formal bidding at a lower dollar level than SUNY, and must seek OSC preapproval on all contracts.

The draft report states that OGS and SUNY processing times are not fully comparable because of differences in statutory processing requirements and internal differences in processing procedures. However, we believe that the programs are so radically different as to severely limit the value of any such comparison of processing times.

OGS Workload (pages S-5, S-7 (6) and 26-27)

On the pages noted above, the LCER report refers to a drop in number of individual purchase requisitions processed from 1983-84. The report also states that the "drop was facilitated by SUNY's reduced reliance on OGS, OGS authorization for three agencies to process most purchases over $5,000 and an increase in the number of OGS term contracts."

We feel that the report sections addressing the OGS workload should be changed because they do not fully discuss all the factors contributing to the reduction in purchase requisitions and because the report sections do not discuss the increased workload on Standards and Purchase resulting from new initiatives. A more accurate description of this situation is as follows:

The reduction in purchase requisitions resulted not only from the impact of SUNY flexibility but also the implementation of specific initiatives by OGS which had as their stated goal the reduction of processing times. The initiatives consisted of: delegated flexibility to three agencies to handle procurements up to a maximum dollar value; increase in the number and variety of items available under term contract,

thereby reducing the necessity for agencies to file purchase requisitions; and full implementation of legislation enacted at the request of OGS to increase agency and OGS discretionary limits, thus reducing the need for competitive bid openings for lower value requirements. Furthermore, these initiatives were implemented to help offset the impact of major growth in other areas of the procurement program, including growth in the number of eligible non-State agency participants, minority and women-owned business initiatives, recycled procurement research efforts, expanded data automation and other commodity complexity, etc. Thus the OGS program, while showing a decline in "as specified" contracts, actually experienced major growth in total contract dollar value and complexity during this period while also decreasing processing times.

SUNY MWBE Statistics (pages 8-6, S-8(8), and 28-29)

The LCER report discusses SUNY purchases from both certified and non-certified MWBE vendors. We would like to point out that in accordance with Executive Order 21 and Article 15-A of the Executive Law, only procurements from certified MWBE firms should be counted towards meeting purchasing goals. Any comparisons of SUNY purchasing with the purchasing of other agencies should be made with this in mind.

Purchasing Flexibility Impetus (page 20)

The report states, "the impetus for purchasing flexibility came from campus complaints that prior to flexibility OGS processed purchases in an untimely manner."

It is OGS' opinion that the impetus for flexibility may have come more from concern over disagreements regarding sole source handling than over "processing time". In fact, SUNY's reliance on sole source processing, as indicated in the LCER report, for 40 and 51% of the requirements handled under flexibility would seem to confirm our opinion. Furthermore, OGS' processing time was estimated by SUNY as 4-6 months which, since it included time required for OSC approval and SUNY to draw up a purchase order, does not represent, in our opinion, "untimely" processing of requirements.

Term Contract Use (page 21)

The report states that "campuses cited concerns about quality, price or delivery time as reasons for not using the term contract."

It should be noted that all agencies are strongly encouraged to use an established procedure by which OGS can be notified regarding problems with any contract items.

Sole Source Documentation (page 24)

The report discusses SUNY's justifications of sole source purchases and notes that one commonly used justification is compatibility with existing equipment. In our opinion, the need for "compatibility with existing equipment" is not necessarily a valid sole source justification. It has been our experience that even when compatibility, and thus the need to purchase single manufacturer's equipment, is a legitimate justification, a sole source procurement does not necessarily result. Specifically, there are frequently multiple sources for a single manufacturer's product, and thus the opportunity to obtain competition.

*Medical Group Purchases (page 24)

The report mentions a "statutory exemption for medical group purchases." We are uncertain what this is in reference to. If this refers to SUNY's purchases from hospital consortia, we feel the reference should be more clearly stated.

*MWBE Certification (page 29)

The report states, "MWBE vendors must go through a Department of Economic Development certification process to be considered for MWBE status."

In accordance with Article 15-A of the Executive Law, the Governor's Office of Minority and Women's Business Development is currently responsible for certification of MWBEs, not the Department of Economic Development.

Impact of Flexibility on OGS (pages 26-27)

As detailed in our cover letter, the report fails to recognize a significant impact on OGS contracts as a result of SUNY's ability to elect to use or not use the contract vendor.

OGS Workload (page 31)

Item 7 of the report's chapter summary discusses the OGS purchasing workload. As noted previously, the LCER report did not fully address all factors that affected the OGS workload. We feel that the second sentence of the chapter summary should be worded as follows:

OGS initiatives to better manage workload and decrease the amount of time invested in the smaller dollar value contracts contributed to the improved processing times.

PROGRAM AUDITS* OF THE LEGISLATIVE COMMISSION ON EXPENDITURE REVIEW

Pupils With Special Educational Needs, April 30, 1982.*

State Division of Probation Programs, June 10, 1982.

State Physician Shortage-Maldistribution Programs, July 16, 1982.*

Commission on Cable Television, September 15, 1982.

Management of Youth Rehabilitation Programs, October 29, 1982.

Impact of Youth Rehabilitation Programs, October 29, 1982.

Council on the Arts Application Review and Funding, November 29, 1982.

The Weatherization Assistance Program, December 6, 1982.

SUNY Hospitals, February 28, 1983.

Dormitory Vandalism on SUNY Campuses, March 24, 1983.

Procurement of Consulting Services, March 31, 1983.*

Processing of Human Rights Cases, April 25, 1983.

Contractual Social Services Training Programs, June 3, 1983.

Comparative Resident and Non-Resident Tuitions, Enrollments and Policies in the Fifty States, June 7, 1983.

State Operated Ski Centers, September 30, 1983.

Mental Health Community Support System, October 28, 1983.

Education of Children Under State Care or Custody, November 30, 1983.

State Insurance Fund, December 9, 1983.

State Alcoholism Treatment Centers, December 14, 1983.

Correctional Officer Training Program, February 15, 1984.

Neighborhood Preservation Program, March 1, 1984.

Unemployment Insurance Benefit Payment Control, March 9, 1984.*

Family Court Orders for Handicapped Children, March 9, 1984.*

Bridge Rehabilitation and Replacement, April 9, 1984.

Weatherization Assistance Program Follow-Up, April 20, 1984.

The Mental Health Information Services, May 21, 1984.

Disaster Preparedness Programs, June 15, 1984.

State Prison Release Programs, June 30, 1984.

Home Insulation and Energy Conservation Program, September 21, 1984.

Power Authority of the State of New York, November 30, 1984.

State Equine Drug Testing and Research, December 31, 1984.

Local Social Services Administrative Costs, January 31, 1985.

OMRDD Information System Needs, March 15, 1985.

Screening of Public School Children, April 12, 1985.

State Milk Dealer Licensure and Regulation, April 19, 1985.

Control of State Employee Health Insurance Costs, April 30, 1985.

Preservation of Historic Resources, May 17, 1985.

West Valley Nuclear Waste Management Demonstration Project, May 24, 1985.

Surplus Real Property Programs, June 7, 1985.

Leasing of State Agency Space, June 13, 1985.

CUNY/SUNY Building Repair and Equipment Replacement, June 25, 1985.

Mitchell-Lama Housing Mortgage Delinquencies, August 15, 1985.

Environmental Quality Bond Act of 1972 Solid Waste Management Programs, December 18, 1985.

OMRDD Monitoring of Day Treatment Programs, December 24, 1985.

SUNY CUNY Energy Management Programs, January 31, 1986.

State Commission of Correction Programs, February 28, 1986.

Federal Rural Transportation Assistance, March 7, 1986.

SUNY Educational Opportunity Program, April 25, 1986.

State Day Care Centers, April 25, 1986.

Capital Funds for Developmental and Psychiatric Centers, April 30, 1986.

Crime Victims Board Programs, May 18, 1986.

Environmental Quality Bond Act of 1972 Land Acquisitions, June 6, 1986.

Environmental Quality Bond Act of 1972 Water Quality Improvement Projects, June 12, 1986.

Environmental Quality Bond Act of 1972 Air Quality Improvement Projects, June 12, 1986.

Local Police Training, August 15, 1986.

Alcohol and Substance Abuse Prevention Programs, September 15, 1986.

State Administration of New York City Rent Regulation, December 12, 1986.

Employee Ownership Assistance Act, December 16, 1986.

Mapping of State Freshwater Wetlands, December 19, 1986.

State Social Services Department Income Maintenance Forecasting, February 23, 1987.

Higher Education Opportunity Program, February 18, 1987.

State Telecommunications, March 23, 1987.

State Child Abuse & Maltreatment Register, Child Abuse Hotline, March 23, 1987.

A Comparison of State Government Initiatives for Scientific Research and Advanced Technology In New York and Pennsylvania, March 30, 1987.

Community College Business and Technical Aid, April 30, 1987.

Status Report on OMRDD Information System Development, May 8, 1987.

Urban Development Corporation High Risk Targeted Investment Program, May 9, 1987.

Tax Stabilization Reserve Fund, May 20, 1987.

Relocation of State Offices from the World Trade Center, May 29, 1987.

Human Rights Caseload, June 1, 1987.

Displaced Homemakers Program, August 3, 1987.

State School Aid Formula Data Quality, August 31, 1987.

Funding Projections for the Rural Rental Assistance Program, November 27, 1987.

Leasing and Maintenance of OMH Community Residences, December 31, 1987.

Public Service Commission Utility Management Audit Program, February 19, 1988.

City University of New York's SEEK Program, February 26, 1988.

State School Computer Aid Program, March 25, 1988.

Leasing and Maintenance of OMRDD Community Facilities, April 20, 1988.

Council on the Arts Decentralization Program, April 27, 1988.

Special Delinquency Prevention Program, May 20, 1988.

CUNY/SUNY Campus Child Care, June 24, 1988.

State Agency Leasing Practices, June 29, 1988.

State Correctional Industries, July 5, 1988.

Department of Taxation and Finance, Systems Modernization Project, July 27, 1988.

OMH Residential Treatment Facilities, July 29, 1988.

OMH Physicians' Extra Service Program, October 20, 1988.

Civil Service Leaves of Absence, November 3, 1988.

The Commission on Cable Television's Role Since the Cable Act of 1984, December 21, 1988.

Youth Development and Delinquency Prevention Program, December 31, 1988.

Return a Gift to Wildlife, March 15, 1989.

Office of the Special Narcotics Prosecutor, March 17, 1989.

State Aid to New York City Private Bus Operators, June 20, 1989.

Consumer Education Board's Advocacy Program, June 30, 1989.

Recruitment and Retention of Foster Parents, August 15, 1989.

State Control of Acid Rain, November 30, 1989.

State Agency In-House Training and Conference Attendance, December 8, 1989.

State Parks Building Maintenance Management, December 14, 1989.

SUNY Management Flexibility Program, December 20, 1989.

Note: Excludes 95 reports printed 1971 through 1981. A list of these publications may be obtained by request of the Commission.

*Out of print; loan copies available upon request.

LEGISLATIVE COMMISSION ON EXPENDITURE REVIEW

Professional Staff

Linda Bakst
Claudia Carroll
Joan Deanehan
Jean Emery
Caroline Flynn
Stuart Graham
James Haag
James Held
Gerald Keyes
Joel Margolis
Patricia McGlone
Karen McNamara
Martin O'Connor
Karin Peterson
Matthew Reilly
Elizabeth Reynolds
Michael Rivera
Michael Roberts
David Rowell
Donald Suriani
James Tunney
Irving Wendrovsky
Christopher Wieda

Administrative Staff

Dawn Hewitt
Tanya Hicks
Marilyn Kroms
Evelyn McLauchlin
Susan Peart Morales

EXCELSIOR